Large-scale land investments in Southern Africa

Current overview and investment models implemented

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List of Abbreviations and Acronyms

AAI	ActionAid International
AFA	Asia Farmers Association
AgriSA	Agri South Africa
AgriSA-Moz	Agri South Africa - Mozambique
BRICS	Brazil-Russia-India-China-South Africa
CDE	Center for Development and Environment at the University of Bern
CIRAD	International Center for Agricultural Research for Development
COPROFAM	Confederation of Family Producers' Organizations of the Mercosur
CFS	Committee on World Food Security
CSR	Corporate Social responsibility
DNPDR	(Mozambican) National Directorate for the Promotion of Rural Development
DUAT	(Mozambican) State-Granted land right
EAFF	East African Farmers' Federation
EIA	Environmental Impact Assessment
FPIC	Free and Prior Informed Consent
FAO	Food and Agricultural Organization of the United Nations
FO	Farmer organization
GIGA	German Institute of Global and Area Studies
GIZ	German International Development Cooperation
ILC	the International Land Coalition
LSLA	Large-Scale Land Acquisition
NGO	Non-Governmental Organization
PROPAC	Sub-Regional Platform of Farmers' Organization of Central Africa
RFO	Regional Farmers' Organizations
ROPPA	Network of Farmers' Organizations and Agricultural Producers of West Africa
SACAU	Southern African Confederation of Agricultural Unions
TSB	Transvaal Sugar Limited
UAE	United Arab Emirates

UK	United Kingdom
UMAGRI	Maghreb Farmers' Union
USA	United States of America

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Executive Summary

1) Large-scale investment in land is rising in Southern Africa, Africa and globally. The phenomenon raises fundamental questions on land rights, development, food security, climate change and ecosystem management.

2) The overall goal of this research project is to increase awareness, knowledge and understanding on the phenomenon of large scale land acquisitions in Southern Africa (state, features and drivers), on the investment models implemented in the region, with the aim to enhance the reflection on related implications and recommendations to make the best of the current land based investments. This report will, in the first place, be used for debates within SACAU with the aim to come up with common positions. Thereafter, those positions will fuel the debate amongst regional farmers' organizations (RFO) at continental level and beyond.

3) The project is based on two complementary methodologies: i) The first one – based on desktop studies and data from the Land Matrix - represents an overall assessment of the large-scale land acquisition phenomenon in Southern Africa, ii) The second one is more empirical in nature and will aim at presenting and analyzing the different investment models implemented by investors and farmers in Southern Africa.

Large-scale land acquisitions in Southern Africa – State, features and drivers

4) *The rush for land in Southern Africa – A reality:* The Land Matrix contains reports of 375 land acquisition cases, amounting to 21,422,221 hectares of land in Southern Africa. These cover several sectors (agriculture, livestock, mining, tourism and industry) and include cases at all stages of progress including negotiations/not signed yet, signed and effectively implemented deals and abandoned ones. Out of these reported deals, 248 deals (66% of total) covering 8,280,235 hectares (39% of total) have been cross-checked and are reliable. Out of the 248 land deals in Southern Africa that could be cross-checked, 72 deals covering 2,325,591 hectares were effectively signed; and 44 projects have started producing effectively, covering 1,209,668 million hectares.

5) *African and particularly Southern African countries are the most affected in the world*: The demand of land in Africa represents about 47% of the overall reported deals worldwide, and even 70% of the overall reported surface.

6) *Land deals are concentrated in a few countries, particularly in Africa and southern Africa*: Although a large number of countries (84) are targeted by foreign investors worldwide, 11 countries or 13% of them concentrate 70% of the reported targeted surface. Among those 11 countries, 7 are African, including 4 in Southern Africa (Mozambique, Tanzania, Madagascar and Zambia).

7) *The rush for land primary focuses on agriculture*: Agriculture is indeed the primary driver behind the rush for land, representing 70% of the size and 65% of the number of deals of the total reliable deals in Southern Africa. The other sectors are: forestry and carbon sequestration (9% of deals and 21% in size); livestock (13% of the deals and 3% of the size); mineral extraction, industry and tourism (combined 8% of the deals and 4% of the surface).

8) *The rush for land is, however, not mainly for food security:* The importance of agricultural oriented land acquisitions does not mean that the large majority of investments focus on food crops. Indeed, food crops account actually only for 31% of the reliable deals (In comparison, non-food crops is recorded as the reason for 50% of the reliable cases, flex crops account for 12% and multiple uses projects for 7%, when the number of projects are considered).

9) *Land acquisitions in Southern Africa are significantly more oriented towards biofuels*: This observation is all the more appalling as most of the Southern African countries are food importing countries, reflecting a certain contradiction between the regions' investment needs and investment realities.

10) *Majority of the large land acquisition deals in the region are foreign:* In total, out of the 375 reported land acquisition cases in the region, 338 cases (covering 20 903 374ha) concern foreign investments. This represents 90% of the deals and even 98% of the areas concerned.

11) *The UK is the major investor in the region (when number and size of deals are both considered)*: A large proportion of investment flows continue to originate from Western countries. As such the UK remains the major investor in the region. Other countries are Portugal, the Netherlands, Sweden, Italy, USA, France. Emerging economies, such as South Korea, Brazil and India, are also rapidly becoming a major source of investment.

12) *Large-scale land acquisitions are not new – but scale and speed have increased significantly:* The rate of acquisitions remained low until 2005, where after it accelerated greatly, peaking in 2009 and slowing down again in 2010 and following years (although still higher than before 2008).The sudden rush for farmland in 2009 was *triggered* primarily by the food price crisis of 2007 and 2008, related to a convergence of events that included reduced grain stocks and a jump in oil prices that prompted a diversion of some food stocks to biofuels.

13) *Overall, there is a long-term trend of growing commercial interest in land*: Underlying this trend are the facts of a growing world population and, in particular, rising levels of consumption by the world's growing middle classes. By 2050 the world will need and consume 70% more food than is consumed today. In addition, the rush for land appears thus to be driven by a range of factors, all ultimately linked to rising levels of food, fiber, energy, carbon, mineral and leisure consumption by at

least part of the world's growing population, in the context of finite natural resources, climate change and ecosystem services.

14) *Failures in governance in Southern Africa are facilitating factors of large-scale land acquisitions*: The drivers described are not, on their own, enough to explain the impacts detailed. Four contributing factors can be highlighted: i) Land governance that fails to protect land right; ii) Weak democratic governance; iii) The sidelining of family farming and smallholder production; iv) Economic governance that fails rural populations. In addition, the current wave of land investments are further aggravating the governance failures that are shaping it.

The different models of large-scale land investment in Southern Africa

15) Seven different models of large-scale land investments were identified in southern Africa:

15a) *Independent farmers*: These are large independent family farms (mainly based on South Africa's commercial farm model). There are few successful farmers in this model; most of them are struggling to establish. There is little inclusiveness i.e. direct and/or indirect benefits for domestic farmers, with few numbers of permanent and seasonal unskilled jobs being created.

15b) *Associative farm model*: This model consists of farmers establishing associations (informal groupings) in order to overcome obstacles encountered by the independent farmers. More stable in time, this model structures the non-well-established agricultural sectors. However, few benefits occur for local populations and economies.

15c) *Cooperative model*: This model is characterized by cooperative structures of farmers in charge of developing farming operations in the host country. Representing the interest of the farmers, responsible for the negotiations with national authorities and offering technical and institutional support for the farmers abroad, this model seems not only stable, it offers also advantages for local populations, mainly based on agreements between countries.

15d) *The 1000-day model*: This model is based on the objective to make available on the international market, in approximately three years (hence the 1000-day model), a ready-to-start large farm operating in food or biofuel production. There is no or little effective production in this model as it is based on the financial benefits drawn from land transformation, based on speculations and future projections. This is probably the worst model in terms of inclusiveness and benefits because it is based solely on the capture of a rent from the land transformation. In addition, most of them fail.

15e) *Asset management companies and investment fund model:* These investors anticipate a significant yearly return on investment, from the land and/or the production on the land. Although the production can benefit domestic economies, the potential benefits

for local communities are often limited. Engaged in by asset management companies that are based abroad, the activities are mainly large-scale, largely mechanized (and thus not labor intensive), risk-averse (hence no outsourcing or outgrowers practices), focusing on most lucrative and well-established markets (which are generally in the country of origin of the investment fund).

15f) *Nucleus-Estate model*: This model is structured around agribusinesses that are integrating - at least partly – primary production (often structured around three sub-models: one third own estate production, one third outgrowers schemes, one third spot markets). Established by well-structured and developed agribusinesses (often multinationals), the model is generally stable and is one of the most beneficial large-scale investments in terms of local development (important job creation, inclusion of independent farmers, indirect benefits)

15g) *Agribusiness estate model*: This model is characterized by the full vertical integration of the different segments of an agricultural value-chain, mainly through (general foreign) multinational enterprises. Beneficial at national level (food production, job creation, etc. …), benefits for local populations remain limited (although they could be potentially higher, more particularly in the framework of the company's corporate social responsibility (CSR) strategies).

16) *The rush back home? A large majority of investments are failing.* Among the investment projects that have been established, there is a high level of failure, especially for the projects dedicated to biofuel production. Major issues identified are: i) Uncertain institutional environments and the difficulty of doing business; ii) Technicality of the projects; iii) The lack of markets; iv) Lack of financial services; v) High settling and transaction costs.

17) *Vertical coordination - A necessity to success?* A common trend observable in all models identified in this project is the increased tendency to vertically integrate. Two reasons appear: i) a reversal of the risk/profit relationship, making primary production less risky and more profitable; ii) avoiding the above mentioned obstacles and to overcome market imperfections.

18) *Few inclusive agricultural development models*. High failure also leads to few inclusive agricultural development models. Indeed, investors tend to focus more on their core business when times are hard, aiming at establishing their activities first before tending to support other ones.

Conclusion: Southern Africa's broad agrarian change

19) Besides the already well-described direct (loss of land, loss of livelihoods, etc.) and indirect consequences (food security issues, environmental aspects, etc.), Southern Africa's agricultural sector is presently undergoing a profound restructuring.

20) *Financialization and corporization of agriculture*: A dual process of – "financialization and corporization" of the agricultural sector is presently leading to an in-depth reorganization and restructuring of the agricultural sector in Southern Africa.

21) *The establishment of closed value-chains and foreign powers*: The advanced tendency to vertical integration creates closed value-chains, leading economic agents' direct control over agricultural regulation mechanisms. On one hand, control by agribusinesses (in particular those that focus on speculation based profit-oriented strategies) can be to the detriment of food safety concerns in the countries where the effective production takes place. On the other hand, as foreign economic powers control an increasing part of the production and these closed value-chains, it transfers regulation power on domestic issues abroad. This emphasizes food sovereignty issues.

22) *Concentration and dualization within the agricultural sector:* The trends mentioned here above inevitably lead to a concentration in the Southern African agricultural sector. Indeed, the agricultural sector is characterized by the dominion of a few large international food-business groups and could lead to the marginalization of the majority of African farmers due to biased power relations and confrontation with models of significantly higher productivity.

23) *Proletarization and pauperization of the agricultural society:* A change in the statuses of the farmers appears. The family unit constituted until now the basic structure around which agricultural production was organized; the incorporation of autonomous family enterprises into corporate structures modifies the relationships with the agricultural sector. Farmers are excluded from decision-making processes and become employees, service providers or rent-seekers. Is it the end of the family farmer?

Towards Sustainable Investment – Recommendations

24) Encourage investment, but avoid large-scale land acquisitions, leases or concessions that involve acquisition and conversion of land from smallholder production or ecosystem service provision.

25) Enable open and inclusive debate by all stakeholders on investment frameworks, land use, and rural development.

26) Develop mechanisms to promote transparency, accountability and monitoring of land-based investments.

27) Legally recognize the land rights of local populations, in particular over the commons.

28) Democratize decision-making over land that includes the full spectrum of land-users.

29) *Ensure environmental sustainability in decisions over land and water-based investments.*

30) *Place family farming and smallholders at the center of policies and strategies for agricultural development.*

31) *Provoking a new era in land rights and rural development.*

Introduction – A project on large-scale land acquisitions in Southern Africa

Struggles over land were one of the defining features of movements to overcome poverty, hunger, discrimination, and political repression in the 20th century. The first decade of the 21st century suggests that competition for land and natural resources is likely to continue, and even intensify. Growing demand for food, feed, fuels, and other commodities, combined with a shrinking resource base and the liberalization of trade and investment regimes, are among factors driving a new global rush for land. Lands that only a short time ago seemed marginal to the global economy are now being sought by international and national investors and speculators to an unprecedented degree, placing the latter in direct competition with local communities for access to land, water, and other natural resources.

As such, increasing large-scale investment in land, particularly in the agricultural sector, but also in other sectors such as mining, agrofuels, tourism, forestry and carbon sequestration, is of interest and concern to a wide variety of organizations in Southern Africa, Africa and globally. The phenomenon raises fundamental questions on land rights, development, ecosystem management and food security. Diverse responses have been proposed by different stakeholders, from seeing such acquisitions as a driver for rural development through to calling for an immediate cessation of large-scale land acquisitions.

In the broader sense, it is this trend of international foreign capital flow into agriculture and land, with all its controversy, that perhaps forms renewed models for agricultural development in Africa that offer scope for further investigation into the implications of foreign-led land acquisitions and resource control. Understanding the nature of this global rush for land is a step towards choosing paths that may be able to avoid the specter of accelerated land loss – and more general disenfranchisement – for the rural poor.

1. Background and rationale of a study on large-scale investment in land

Consultations up to this point on particular proposals for how to respond have been limited in scope. In addition, alternative proposals have not had the opportunity to be widely heard or debated. In response to this challenge, several organizations formed an Initiating Committee to launch a dialogue on how to respond. The Initiating Committee is formed by three regional farmers' organizations: Asia Farmers Association (AFA), Confederación de Organizaciones de Productores Familiares del MERCOSUR (COPROFAM) and Réseau des Organisations Paysannes et de Producteurs Agricoles d'Afrique de l'Ouest (ROPPA); one international NGO, ActionAid International (AAI); and one partnership of civil society and intergovernmental organizations, the International Land Coalition (ILC). Oxfam International is a Supporting partner to the

initiative.

The Initiating Committee developed a framework for the Regional Farmers' Networks in Africa to undertake documentation and consultations among their constituents at local, national and regional levels. It is expected that activities carried out within the framework of this initiative will allow better understanding of the national and regional specificities of the phenomenon, and will enable Farmers' Organizations to engage on a more equal basis in regional and global debates to propose solutions. The consultations held by the 5 African regional farmers' network (i.e. EAFF, PROPAC, ROPPA, SACAU and UMAGRI) will be linked through the Initiating Committee with consultations by Farmers' Organizations in Asia and Latin America, and ultimately to a global dialogue in which Farmers' Organizations will be better placed to articulate their positions.

In that context, the initiative prompted by the Initiating Committee is in line with SACAU's project to further work on the issue of large scale land related investments in the region. It will allow SACAU to effectively start the investigation/documentation/consultation process required for being in a position to participate effectively in debates dealing with large scale land acquisitions.

2. Overall goal, specific objectives and expected outcomes of the project

The overall goal is to increase awareness, knowledge and understanding of SACAU and its members on the phenomenon of large scale land acquisitions in Southern Africa and their impacts. This will enable SACAU and its members to effectively participate in dialogues and other engagements on the issue at national, regional and global levels.

As such, the specific objectives are:

- To document the situation of large-scale land acquisitions in Southern Africa to enhance the information and knowledge about the phenomenon and its impacts on agriculture in the region.
- To prompt an informed dialogue amongst FOs and other stakeholders in the region, which will contribute to a greater understanding of different perspectives on large scale land acquisitions and land-related investments and the development of possible responses for the region, which could ultimately feed the debates in supra-regional fora.
- To provide a basis for an informed action by Southern African FOs at local, national, regional and global levels to respond to the current trend of increased large scale land acquisitions by local or foreign investors.

The expected outcomes of the project can be summed up as follows:

- Increased awareness, knowledge and understanding and more informed engagement by Southern African Farmers' Organizations in debates and negotiations on land-related investments in the region and beyond.

- More appropriate responses to increased land-related investments in Southern Africa due to the effective engagement/participation of FOs in their design.

3. Methodology – Combining an overall assessment of the phenomenon with a more qualitative analysis of the various land investment models

The project is based on two complementary methodologies.

- The first one represents an overall assessment of the large-scale land acquisition phenomenon in Southern Africa. It will detail the state of these acquisitions, their features and the drivers that have led to the latter in the region. It is based on a desktop study which includes an analysis of data provided by the Land Matrix (see box 1) as well as a literature review of existing works.

Box 1: The Land Matrix

Since 2009 a partnership between the Centre for Development and Environment (CDE) at the University of Bern, CIRAD, the German Institute of Global and Area Studies (GIGA), GIZ and ILC, has been systematically collating and verifying information on large-scale land acquisitions. This Land Matrix records transactions that entail a transfer of rights to use, control or own land through sale, lease or concession that are 200 ha or larger; and that have been concluded since the year 2000. The database is now the largest of its kind, and in 2012 will become publicly accessible.

The data comes from a variety of sources that include media reports, reports by international organizations and NGOs as well as academic research including field-based research projects. These different reports are being sourced through the two most active Internet portals that deal with land transactions, www.commercialpressuresonland.org of the Land Portal operated by the International Land Coalition (ILC) and www.farmlandgrab.org operated by the NGO GRAIN.

The database distinguishes four levels of data reliability. More specifically, a reliability ranking between 0 and 3 was introduced.
- Reliability rank 0: Land transactions reported by the press or other sources (typically from the internet) that have not undergone any process of verification. These transactions will be referred to as "reported".
- Reliability rank 1: Transactions reported by sources that are judged reliable, in particular transactions reported in research papers based on empirical evidence through field research, information on company websites (information on the main columns, such as: size, produce, year), as well as government records.
- Reliability rank 2: Land transactions that have been checked by the Land Matrix Partnership through questionnaires submitted to organizations working in the host country
- Reliability Rank 3: Deals where contractual agreements have been made publicly available.

As the database matures, cases will be upgraded in terms of their reliability.

To ease the presentation of the results in this report, all cases with reliability ranking 1, 2 or 3, have been classified as 'reliable' (in opposition to 'reported' or to 'total' (reported + reliable).

- The second one is more empirical in nature and will aim at presenting and analyzing the different investment models implemented by investors and farmers in Southern Africa. It is based on extensive fieldwork and primary data collection (91 interviews in total (See annexure 1), implemented in the framework of this project (See box 2).

Box 2: Accessing information on investors and their investment models

Due to the sensitivity of the topic, which is mainly related to the non-transparency of certain deals and the negative press surrounding the latter, access to information is often complex. This being said, SACAU was requesting this particular case study, in agreement of its members. This particularly led to the establishment of a close relationship with Agri-SA, who has members who are land investors themselves in other African countries and presently facilitates those investments. Agri-SA voluntarily facilitated the independent realization of the field work for this research project.

As such, in particular in the beginning of the implementation of the research project, the majority of the interviews concerned South African investors. However, additional interviews were made possible; the results and models are thus not based on the analysis of South African investors solely. It also has to be emphasized that several of the projects and models are not the initiative of single investors, engaging only in one country, but are complex constructions engaging a multiplicity of actors, type of actors and nationalities.

The empirical results, implemented through extensive fieldwork in Congo Republic, Mozambique and in a lesser degree in Zambia, are based on semi-directive interviews realized with different stakeholders: farmers (South African and others), investors and agribusiness (44 interviews), host country officials (18 interviews), NGOs (7 interviews), local populations (12 interviews) and experts (10 experts) operating in various African countries (see annexure 1). In addition, a long term relationship has been developed in Mozambique with the National directorate for the promotion of rural development (DNPDR) linked to the Ministry of State Administration. Within the National Directorate's "Land and Natural resources Programme", a project entitled PROPARCERIA aims at creating inclusive and sustainable partnerships between local communities and agricultural investors. This relationship resulted in the hosting of one of the authors during the project's fieldwork in Mozambique to the PROPARCERIA programme, allowing the participation to meetings with host country officials involved in negotiations at all levels regarding the land investment issue, the realization of focus group interviews with communities concerned by investments as well as having access to official data on large scale agricultural projects and land rights applications.

4. This report

In concordance with the methodology, the report is structured in two main parts:

- The first part will give a broad overview of the large-scale land-related investments in Southern Africa. It will detail large-scale land acquisitions' state, features and drivers.
- The second part will present the large scale land and agricultural investment models identified through this research project.

The final concluding chapter recaps the results, draws broad conclusion on trends identified through the desktop and empirical analyses and culminates by drawing recommendations regarding large-scale land investments.

This report will, in the first place, be used for debates within SACAU with the aim to come up with common positions. Thereafter, those positions will fuel the debate amongst regional farmers' organizations (RFO) at continental level and beyond.

Large-scale land acquisitions in Southern Africa – State, features and drivers

1. The rush for land in Southern Africa – A reality

The Land Matrix contains reports of 375 large scale land acquisition (LSLA) cases for several purposes such as agriculture, livestock, mining, tourism and industry, amounting to 21,422,221 hectares of land in Southern Africa[1] (Table 1). This includes all reported and reliable cases, at all stages of progress including requests, negotiations/not signed yet, signed and effectively implemented deals and abandoned ones. Out of these reported cases, 248 deals (66% of total) covering 8,280,235 hectares (39% of total) have been cross-checked and are reliable. The identified surface represents respectively the area of Zimbabwe (reported cases) or Malawi (reliable cases). Again, these reliable cases are at all stages of progress.

Table 1: Number of large scale land acquisition cases and their size in Southern Africa, by level of reliability

Reliability	Number of land acquisition cases	Size (hectares)
Reported	127	13,141,986
Reliable	248	8,280,235
Total	375	21,422,221

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Regarding these figures, two comments are important and have to be taken into consideration while using the latter.

- Firstly, precise quantification is complex as 1) many transactions remain non transparent and have not been identified yet, 2) domestic transactions (as they are smaller in size and often embedded in local dynamics) are difficult to trace; 3) certain sectors are not well included in the survey (it is the case of the mining sector for example); 4) the status of certain transactions/activities is often unclear.
- Secondly, the reported and reliable data include cases at all stages of progress, including cases under negotiation/not signed yet, signed and effectively implemented deals and abandoned ones. Although this might seem to lead to over-evaluating the phenomenon, it is important to keep the information regarding these different stages

[1] For this report, Southern Africa includes all SACAU countries and Angola.

(even the not yet signed or abandoned ones) as it gives a precise reflection of the extend and scale of the phenomenon (including the demand and interest for land) and can still jeopardize local populations' land rights (even of the deal does not go through).

Beyond the simple identification of land acquisition cases, it is nonetheless evident that a high proportion of cases that are reported and could even be cross-checked and classified as reliable cases do never reach fruition. Out of the 248 reliable land acquisition cases in Southern Africa that could be verified, 72 deals covering 2,325,591 hectares were effectively signed. The latter means that out of the totality of cases, 29% have led to an effective signature and concrete transfer of land. Similar analysis in surface/hectares is more difficult, as only proportions of the effectively acquired lands might be under production. This being said, 51 projects have started producing effectively, covering 1,360,829 million hectares. Although the latter represents only 5.6% of the reported surface (18% of the reliable number of cases), it does represent 61% implementation rate of the deals that are signed.

Table 2: Signed and effectively implemented land deals and their size in Southern Africa

	Number of deals	Size (ha)*
Signed deals	72	2,325,591
Effectively implemented deals (production started)	44	1,209,668

Source: Land Matrix, 2011 with updates for Tanzania and Mozambique.

* Note: Information regarding the size is only available for some of the signed and implemented deals. Therefore N = 59 for signed deals; N = 36 for effective implemented deals.

The difference between the reported/reliable cases and implemented/signed deals is related to the following factors:

- Firstly, some operators may have underestimated the managerial and technical difficulties related to the implementation of large land deals in often difficult ecological, political, bureaucratic and socio-economic environments. This issue is likely to be particularly relevant to operators that do not have an established track-record in agriculture.
- Secondly, investors may not be successful in gaining the attributes they seek, thus leading the investor to pull out. This was reportedly the case of Daewoo in Madagascar, among others (Andrianirina-Ratsialonana et al., 2011).
- Thirdly, some public announcements of land deal negotiations may reflect the strategic positioning of investors aiming for instance to secure land even in the absence of specific investment plans in the short term (therefore the objective would be speculation and rent-seeking).

The gap between reported cases, reliable cases and signed and effectively implemented deals should not cause complacency. Indeed, announcements, negotiations and certainly

contracts signed but not implemented may still exacerbate pressures on land and lead to displacements or a weakening of land rights for the local population. Furthermore, in such cases, potential benefits of long-term investments, such as irrigation and other infrastructure, access to markets and jobs, will of course also not materialize. Therefore, people may lose secure access to land without gaining any potential benefits (Anseeuw et al., 2012).

2. African and particularly Southern African countries are the most affected in the world

Focusing on reported cases published by Anseeuw et al. (2012), 948 large scale land acquisitions cases (at all stages of progress including negotiations/not signed yet, signed and effectively implemented deals and abandoned ones and for different purposes such as agriculture, forestry, mining, tourism and livestock production) of about 161.7 million hectares are located in Africa. Compared to some 42.7 million hectares reported in Asia, 17,6 million hectares in Latin America and a remaining 5.4 million hectares in other regions, particularly Eastern Europe and Oceania, it makes Africa the continent where most land is sought (Figure 1). Of course, this regional distribution may reflect the strong media interest in African deals, as much as real-world differences in volumes of transactions. For example, some food-importing African countries that are or were major recipients of food aid have attracted extensive media reporting, such as Ethiopia and Sudan, while scattered evidence suggests that there has been strong investor interest in Australia, New Zealand and North America.

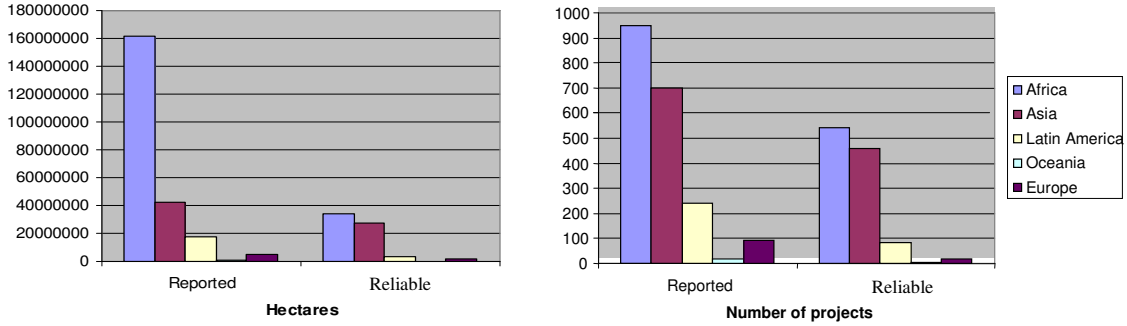


Figure 1: Reported and reliable cases and areas by continent

Source: Anseeuw et al., 2012, based on Land Matrix, 2011.

The demand for land by foreign actors seemed to be widespread in developing countries around the world. Although a large number of countries (84) are targeted by foreign investors worldwide, 11 countries or 13% of them concentrate 70% of the reported targeted surface for agricultural investments. Among those 11 countries 7 are African, including 4 in Southern Africa (Anseeuw et al, 2012b) (Figure 2).

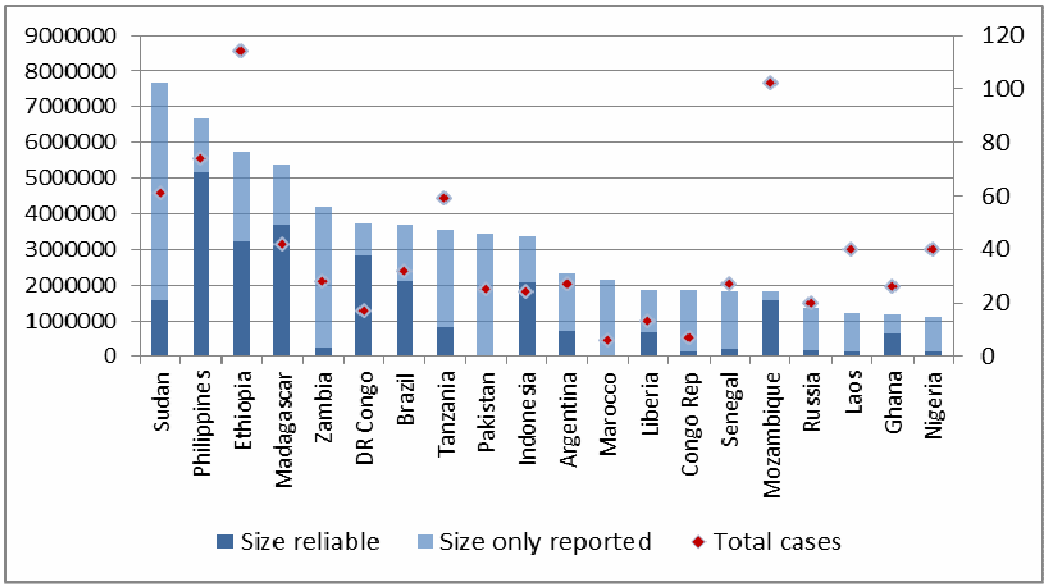


Figure 2: Most targeted countries in the world according to size of agricultural large scale land acquisition cases

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Indeed, countries such as Mozambique, Tanzania, Madagascar and Zambia are facing a large part of the reported demand for land by foreign actors, both in terms of cumulative size and number of projects. Although the share of reliable observations differs from one country to another, most of these countries are still the most targeted even when accounting only for reliable cases. In other words, the strong interest of international investors for African countries can be confirmed (See figure 3 and table 3).

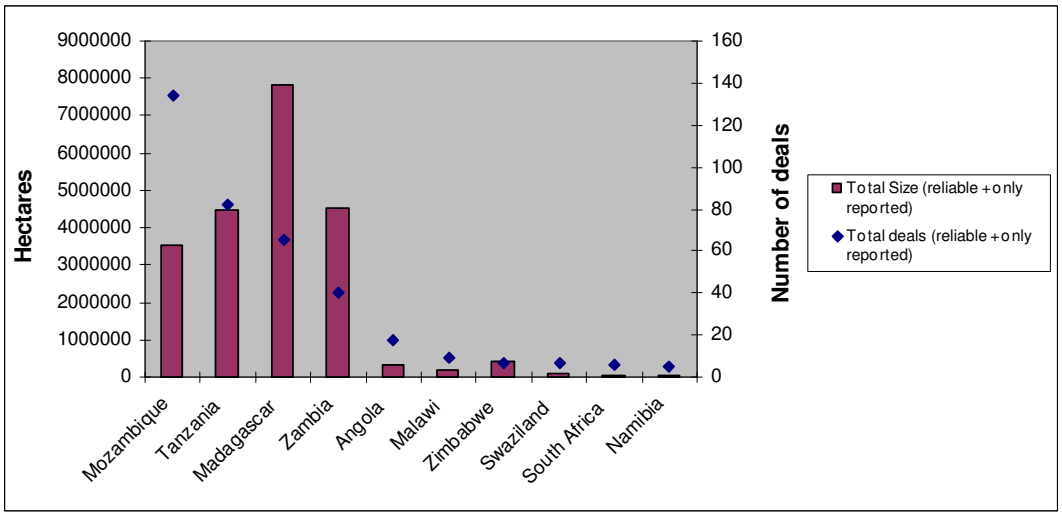


Figure 3: Total (reported + reliable) large scale land acquisition cases in Southern Africa (in decreasing number of cases)

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Table 3: Large-scale land acquisition cases per host country in Southern Africa

	Reported size (ha)	Reliable size (ha)	Total Size (ha)	Reported cases	Reliable cases	Total cases
Madagascar	4653800	3179741	7833541	21	44	65
Zambia	4194350	307443	4501793	27	13	40
Tanzania	3387790	1072598	4460388	28	54	82
Mozambique	286931	3263887	3550818	18	116	134
Zimbabwe	220000	201171	421171	4	3	7
Malawi	180000	30147	210147	4	5	9
Angola	128495	183000	311495	12	6	18
Swaziland	60400	15124	75524	5	2	7
Namibia	30220	0	30220	5	0	5
South Africa	N/I	27124	27124	3	3	6
Botswana	N/I	N/I	0	0	2	2
Seychelles	0	0	0	0	0	0
Lesotho	0	0	0	0	0	0
TOTAL	13141986	8280235	21422221	127	248	375

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

3. The rush for land is not only for agriculture and food security

Much of the recent focus has been on investments in agricultural production. Agriculture is indeed the primary driver behind the rush for land, representing 70% of the size and 65% of the number of reliable land acquisition cases in Southern Africa (Table 4 and Figure 4).

Table 4: Sectors focused on within the framework of LSLA in Southern Africa

	Reliable cases	Total cases (reliable + reported)	Reliable size (ha)	Total size (reliable + reported) (ha)
Agriculture	161	250	5737199	14922687
Forestry	23	26	1695736	1773440
Livestock	33	34	268673	268673
Mining	8	13	11540	2431540
Tourism	11	13	285419	289419
Industry	1	2	9100	229100
Not known	11	37	272568	1507362
Total	248	375	8280235	21422221

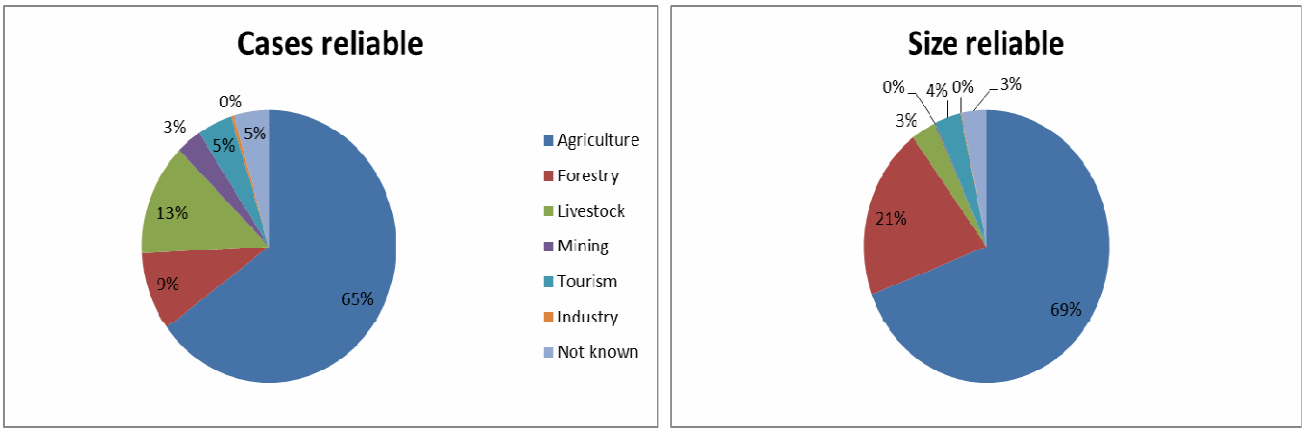


Figure 4: Sectors focused on within the framework of LSLA in Southern Africa
Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

However, certain other sectors are not insignificant:

- forestry and carbon sequestration accounts for 9% of the number of cases and 21% of the size[2];
- livestock for 13% of the cases and 3% of the size;
- mineral extraction and tourism account for a combined 8% of the cases. They are also smaller in size of land targeted (only 4%).

This being said, the importance of agricultural oriented land acquisition cases does not mean that the large majority of investments focus on food crops. Indeed, food crops account only for 31% of the agricultural cases, representing 21% of the total land acquisition cases (Figure 5).

Figure 5: Large scale land acquisitions cases by agricultural sub-sectors in Southern Africa
Source: Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

In comparison, non-food crops is recorded as the reason for 50% of the reliable agricultural land acquisition cases, flex crops[3] account for 12% and multiple uses projects[4] for 7%, when the number of cases are considered. When the size of the land acquisition cases are considered, the proportion of food crops increases up to 50% of the reliable agricultural cases (Figure 6).

[2] Important to note is that the latter are not always directly linked to the recent land acquisition phenomenon (many of the forest concessions did exist prior to 2007-2008; their growing importance in absolute terms translates however in increased commercial pressures on land at present.
[3] Flex crops are crops that can have multiple purposes. It is, for example, the case of the oil palm, which can be produced as a food crop (as vegetable oil) or a biofuel crop. Other examples of flex crops are sugarcane, canola, etc.
[4] Multiple uses projects are projects that accommodate a diversity of crops, at the same time (on different plots or through intercropping) or subsequently (through specific rotation patterns)

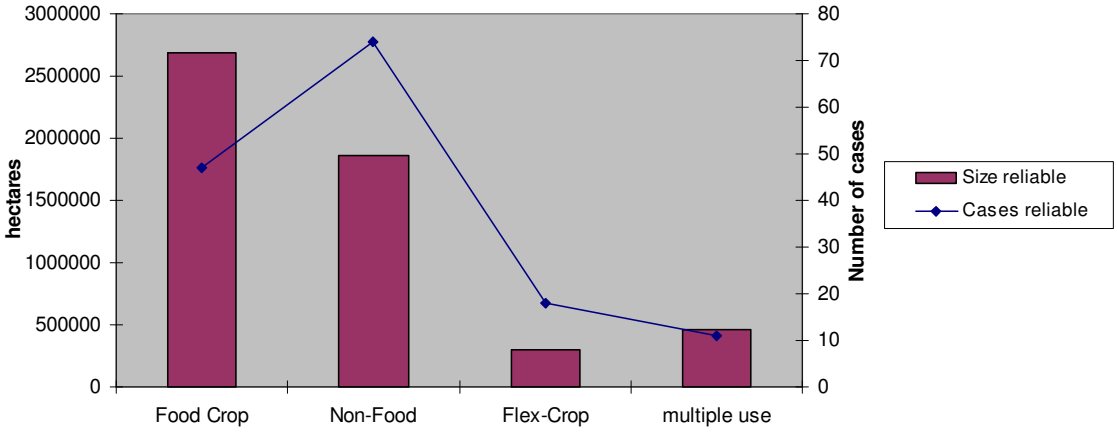


Figure 6: Agricultural large scale land acquisition cases by category of production in Southern Africa

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.
Note: n=150.

The importance of non-food crops shows that the development of particular markets, such as biofuels and other traditional "high value crops" (e.g. rubber tree, cut flowers, cotton), attracts investors. On the other hand, the large share of projects presenting multiple productions or the production of flex crops can be interpreted as a strategy to mitigate risks (price volatility, risk of commercialization,..) and benefit from the best opportunity. The rush for land is therefore not only about food security and a response to high food prices. It appears to be driven by a range of factors, all ultimately linked to rising levels of consumption by at least part of the world's growing population, in the context of finite natural resources and ecosystem services.

Box 3: The demand for biofuel production

Demand for non-food crops such as fiber, tobacco and cotton is an important driver of the large-scale land acquisitions. The demand for such crops has been a feature of economic relations between the global North and the global South since colonial times (Anseeuw et al., 2012). This being said, beyond these "old" commodities a new one is rising, the demand for biofuels. The rising fuel consumption and oil prices, the growing dependence on imported fossil fuels and some developed countries energy policies are driving the development of biofuel markets. Among the crops used to produce biofuels one of the most developed is jatropha. The Land Matrix data confirm that jatropha production is an important driver for large scale land acquisitions in Southern Africa: 69 reliable cases– i.e. 93% of the reliable non-food crops - have been identified in Southern Africa.

Another main characteristic of this large-scale land phenomenon is the central role of sugarcane, but also oil palm and in a lesser extend soybean. This group includes crops that have multiple and/or flexible uses, mainly food and biofuels, and represent a risk management strategy. Indeed, the reason for which investors set up projects with multiple productions and multiple uses are the same as those who urge them to grow flex crops,

i.e. food price volatility, risk management and uncertainty concerning the development of biofuels markets.

A similar image appears when analyzing the objectives/drivers of the land acquisitions per country. The large majority is focusing on non-food crops. Interesting to see is that the ratio increases significantly between the reported cases (relatively higher proportion of food crops are announced) and reliable cases (relatively higher proportion of non-food crops or flex-crops are announced). The latter can be explained by:

- the announcement of more food crop deals, in order to justify the implementation of the project during the negotiation phase;
- the shift from food and mono-crop deals to flex and multiple crop deals, in order to mitigate risks.

Table 5: Proportion (%) of the sectors focused on in the different countries in Southern Africa

	Food crops	Non food crops	Flex crops	Multiple use	Food crops	Non food crops	Flex crops	Multiple use
	Reported				**Reliable**			
Angola	67	17	0	17	25	0	50	25
Botswana	0	0	0	0	100	0	0	0
Madagascar	27	64	9	0	19	73	8	0
Mozambique	43	21	14	21	45	42	4	9
Malawi	0	0	0	0	0	100	0	0
Namibia	67	33	0	0	0	0	0	0
Swaziland	25	50	25	0	0	0	100	0
Tanzania	47	40	7	7	32	39	21	8
South Africa	0	0	0	0	0	50	50	0
Zambia	62	31	8	0	11	56	11	22
Zimbabwe	50	50	0	0	0	100	0	0

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

As such, large scale land acquisitions in Southern Africa are significantly more oriented towards flex crops and biofuels. This observation is more appalling as most of the Southern African countries are food importing countries, reflecting a certain contradiction between the regions' investment needs and investment realities. This might be linked to whom is investing in the region.

4. Majority of the large scale land acquisition cases in the region are by/with foreign investors

The large majority of the large scale land acquisition cases in the region are with foreign[5] investors. In total, out of the 375 reported cases of land acquisition in the region, 338 cases (covering 20 903 374ha) concern foreign investments. This represents 90% of the deals and even 98% of the areas concerned (Figure 7). These figures need to be taken cautiously as domestic cases might be underestimated, as they are less visible. Also, domestic participation within the foreign acquisition cases should not be underestimated.

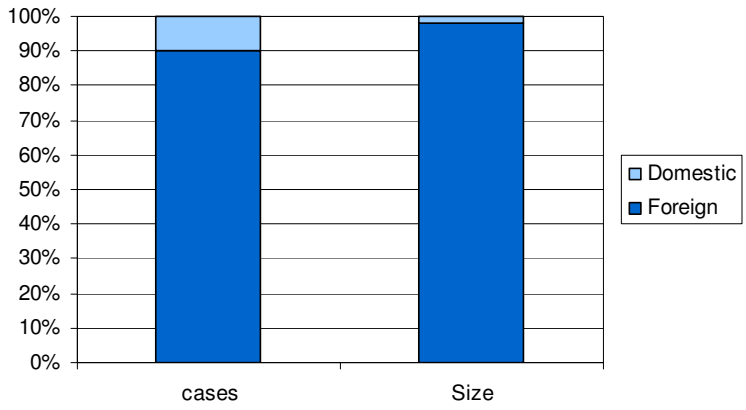


Figure 7: Foreign compared to domestic large-scale land acquisition cases in Southern Africa (reported cases)
Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

A large proportion of investment interest continues to originate from Western countries (see figures 8 and 9 – also see Annexure 2 for more details). As such, the UK remains a major investor in the region (when both reliable number of cases and size are considered). This is probably related to the former colonial relations the country has in the region. Other countries are also present: Portugal (particularly in Mozambique and Angola), Sweden, USA, Italy, France (large number of deals in Madagascar), The Netherlands, etc.

[5] Foreign refers to non national investors (i.e. that they can occur by investors from within the same region, as is the case of the South African investors).

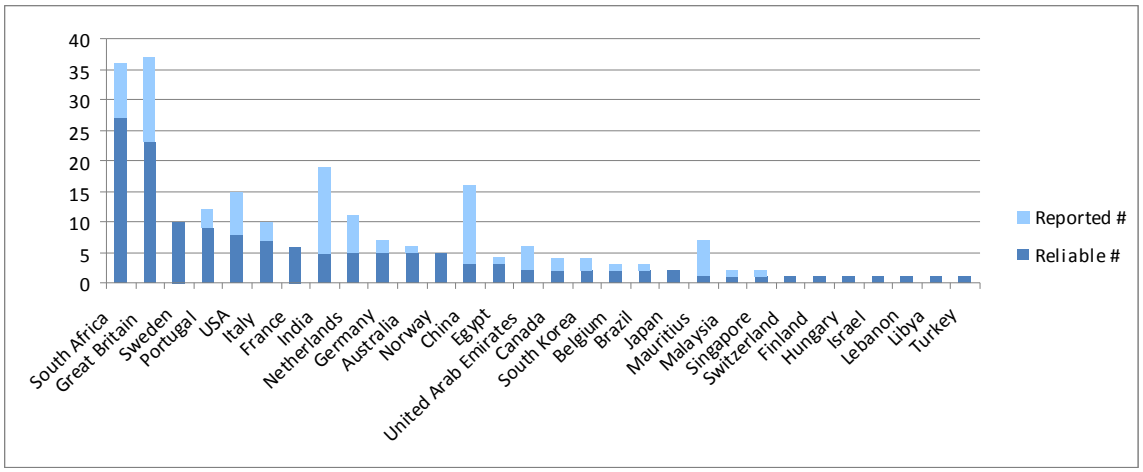


Figure 8: Large-scale investment cases per country of origin (top 22 investing countries) (according to decreasing reliable cases)
Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

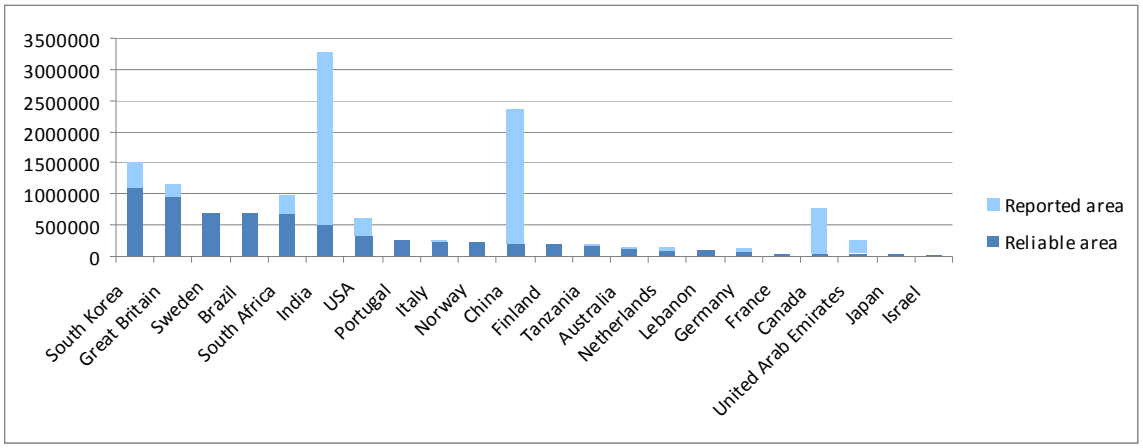


Figure 9: Size of large-scale investment cases per country of origin (top 22 investing countries) (according to decreasing reliable size)
Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

However, emerging economies are rapidly becoming a major source of investment. As such:

- South Africa is a major investor in the region. South Africa presently invests in more than 26 countries in Africa and in most countries in the region (Van Burick, 2012).
- Other major investors are part of the BRICS countries (except for Russia). While much public attention has been paid to the role of China (although much less present when considering reliable cases), countries such as India and Brazil are very present.
- The Land Matrix suggests that Asia and, in a lesser degree, the Middle-East are also key regions of origin. Investors from countries such as the South Korea, UAE, Qatar appear to be active in land deal negotiations. These investors originate from countries that are rich in capital, but that are endowed with limited quantities of natural resources necessary for the expansion of their agricultural production and of their economy in general.

These investment patterns suggest that "regionalism" is on the rise, linked to regional trade agreements or to geopolitical considerations. Upcoming South-South relations are definitely reshaping agricultural investment patterns in the region.

A disturbing aspect, once again, is the 'externalization of investment' in the region: most of the foreign investment interests are extra-regional (82% - with all of the intra-domestic investments coming from South Africa). The difference between the region and the entire continent, but even more so between the region and the other continents, is alarming (Figure 10). The latter relates to issues of Southern Africa's sovereignty.

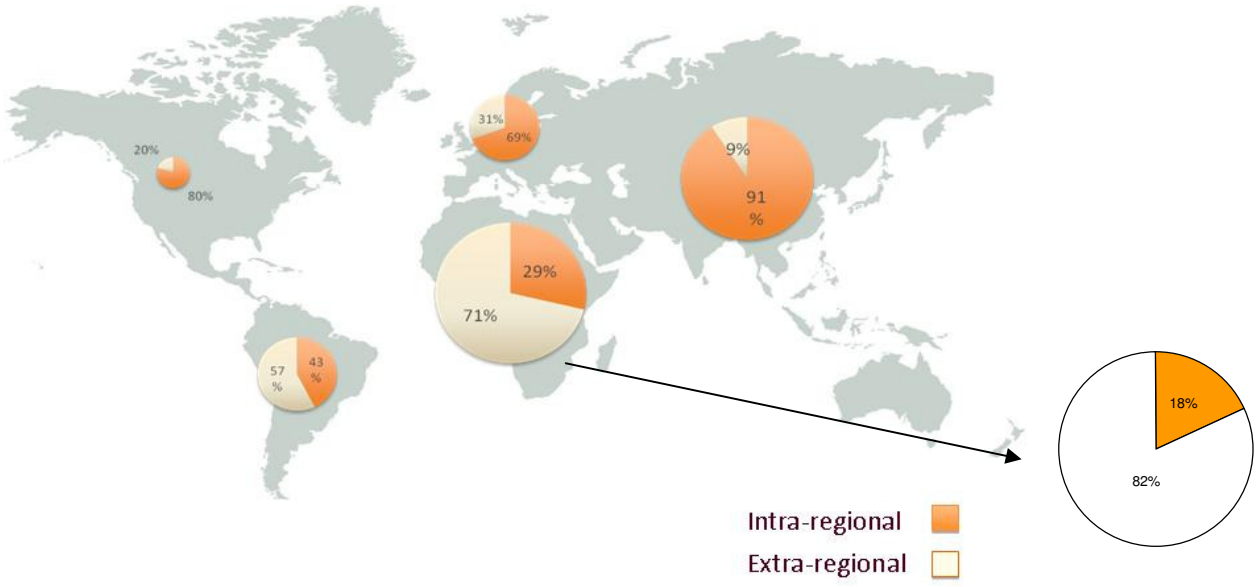


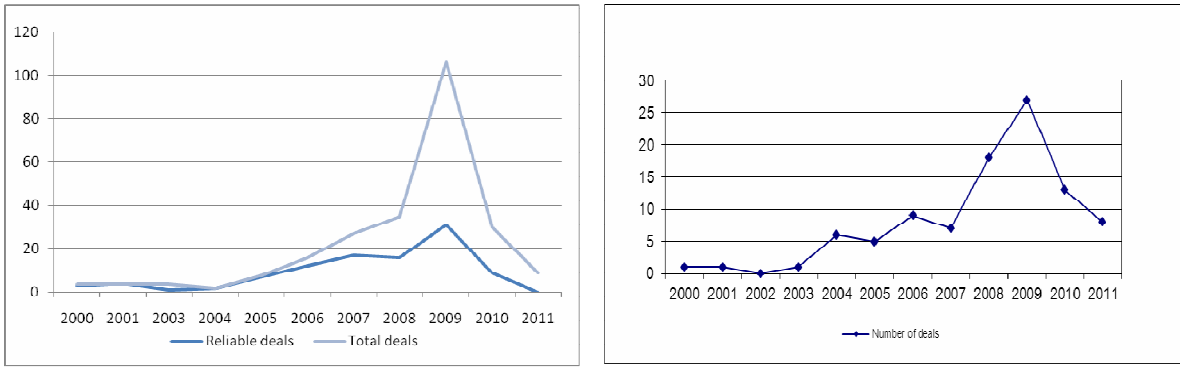
Figure 10: Intra and extra-regional origin of reported large-scale land based investments cases in the world and Southern Africa

Source: Taylor, 2011; based on the Land Matrix, 2011.

5. Triggers, drivers and enabling factors of Large-scale land acquisitions – Investors solely are not to be blamed

Is the land rush a short-lived phenomenon, or is it here to stay? In seeking to answer this question, it is helpful to differentiate between what we may call "trigger Southern Africa of the phenomenon. The Land Matrix data suggest that the rate of acquisition cases (at all stages, from negotiations to effective implementations) remained low until 2005, where after they accelerated greatly, peaking in 2009 and slowing down again in 2010 and

following years (although still higher than before 2008). The sudden rush for farmland in 2009 was triggered primarily by the food price crisis of 2007 and 2008 (Figure 11), related to a convergence of events that included reduced grain stocks and a jump in oil prices that prompted a diversion of some food stocks to biofuels (Headley and Fan 2008).



Global
N = 245 reported deals & N = 102 reliable deals.

Southern Africa
N = 96 for reported deals[6]

Figure 11: The pace of LSLA world-wide and in Southern Africa
Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

The slowdown in 2009 is likely partly due to

- the 2008–2009 financial crisis and availability of funding.
- potential acquirers becoming more realistic about the risks of difficult conditions, technically but also socio-politically. This was the case in Madagascar following the withdrawal of Daewoo (Andrianirina-Ratsialonana et al., 2011).
- The fact that significant critical press coverage has made potential acquirers more wary of large-scale acquisitions in poor countries, or at least less inclined to publicly announce new large acquisitions.
- Host countries getting better prepared, implementing processes and measures (sometimes according to more participatory approaches), and better negotiating deals.

Overall, the data are suggestive of a long-term trend of growing commercial interest in land, somewhat masked by a possible new-found wariness (since 2009) about attempting very large-scale land deals or publicizing those under negotiation (Anseeuw et al., 2012b). As such, the food crisis marked a turning point. No longer were some food-importing countries willing for their national food security to depend upon unpredictable world markets. It also provoked expectations that after two decades of stagnation, food prices would rise over the longer term. This has so far proved correct, and food prices have again hit new highs in 2011 and 2012. Expectations of rising prices reflect longer-term trends that can be called the drivers of the rush for land. The food price crisis brought to attention trends of rising commodity prices that had been under way since 2000 (Deininger and Byerlee, 2010). Underlying these trends are the facts of a growing

[6] Information was too limited for reliable deals in South Africa.

world population and, in particular, rising levels of consumption by the world's growing middle classes. By 2050 the world will need and consume 70% more food than is consumed today (Ibid.).

In addition, as shown earlier in this report, demand for food is not the only driver of the land rush. Reliable data from the Land Matrix shows that significant demand for land is for non-food production. The relatively high proportion of land being acquired for biofuels/jatropha is particularly striking, considering the displacement of real or potential food production on these lands in this food-importing region. The rise in demand for land appears thus to be driven by a range of factors, all ultimately linked to rising levels of food, fiber, energy, carbon, mineral and leisure consumption by at least part of the world's growing population, in the context of finite natural resources and ecosystem services in the framework of climate change (Anseeuw et al., 2012).

But the drivers described are not, on their own, enough to explain the impacts detailed. It is indeed necessary to examine the contextual factors that are shaping it and enabling harmful large-scale land acquisitions to take place. As such, as written by Anseeuw et al. (2012), the rush for land must be seen as a broad, historically and politically embedded phenomenon. Specifically, it can be seen as being shaped by several failures of governance and policy at national and international level. These are most notably:

- *Land governance that fails to protect land rights*: the failure in most land governance system to recognize and protect customary land rights, including particularly the rights of women and common property rights. Many national legal systems centralize control over land and do not legally recognize the land rights of local land users, thereby paving the way for the large-scale allocation of land to prospective investors.
- *Weak democratic governance*: Despite advances in democratization around the world, huge deficits of transparency, accountability, and popular empowerment exist and contribute to elite capture of resources.
- *The side-lining of family farming and smallholder production*: the failure of agricultural policy to support family farming and the commensurate and questionable enthusiasm and concrete support for a modernist vision of large-scale agriculture, mainly driven by foreign direct investment.
- *Economic governance that fails rural populations*: The emerging trade and investment regime increasingly provides extensive legal protection to investors, while far fewer and less effective arrangements have been established to protect the rights of the rural poor or to ensure that greater trade and investment translate into inclusive sustainable development and poverty reduction. In addition, the economic governance also includes climate change mitigation measures, based on private regulation instruments.

These trends, in themselves, are not new. They are a continuation of processes that began with colonization, and the legacy of colonialism is apparent in many of the factors that are shaping and enabling the current wave of large-scale land acquisitions. What is new is the rate of change since 2005, and the prospect that today's enhanced investor interest in land resources is unlikely to go away in the foreseeable future.

Rural communities throughout Southern Africa have had to live for decades with insecure and threatened claims to land, but now increasingly face the prospect of finally losing access to these resources to a new wave of expropriation. In this sense, we may be said to be facing something of a crisis or tipping point beyond which we will see large-scale and irreversible changes in ownership and control over land and water, in agricultural systems, and in rural societies.

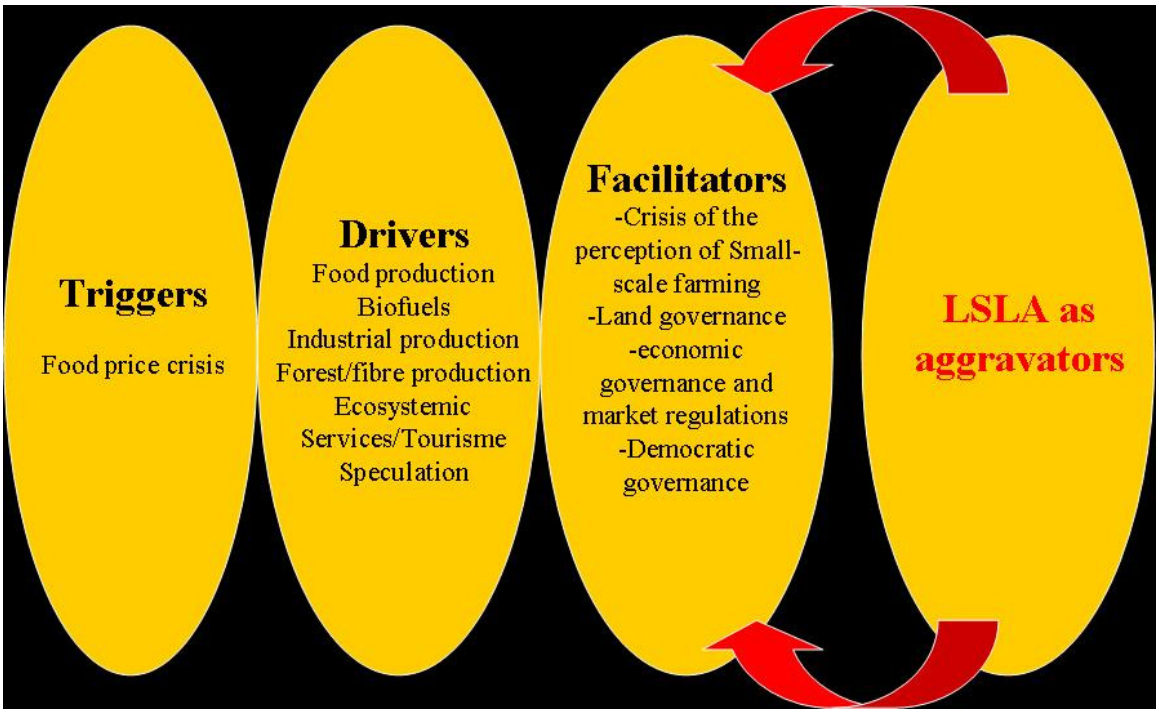


Figure 12: Large-scale land acquisitions as result and aggravator of governance issues
Source: Anseeuw (2012).

Indeed, as shown in Figure 12, the current wave of investment itself can be seen as further aggravating some of the governance failures that are shaping it. Global capital flows and government efforts to attract capital can have a profound influence on key areas of national policy, including land governance, labor law, environmental regulation and agricultural policies, while also driving corruption. Weak land administration systems may be overwhelmed, while the mere prospect of a large-scale land acquisition creates uncertainty for potentially affected land users, undermining their *de facto* security of tenure and acting as a deterrent to investment. Finally, large-scale land acquisitions and the priority given by governments to attracting and supporting, indeed subsidizing, large-scale schemes can be said to be putting small-scale production systems even further under pressure.

The different models of large-scale land investment in Southern Africa

This second section aims at presenting the different investment models implemented by investors and farmers in Southern Africa. Indeed, as announced in the introduction there is a need to better understand besides other aspects, how large-scale land investments are structured, which investment models they are based on, how they are implemented and how inclusive of local stakeholders they are (i.e. to what extent the local stakeholders participate and/or benefit). To do so a number of criteria and variables have been identified; they are presented and are detailed for each investment model identified in Annexure 3.

This presentation does not intend to describe all the processes and mechanisms of these models, nor does it proclaim to be exhaustive of all the investment models. It should be seen as a first understanding of how the new trends of large-scale agricultural investments in Southern Africa are realized. This part will be organized into two sections: A first one will detail the typology of investment models identified; the second one will draw some initial observations directly based on the results and models detailed.

1. Large scale land and agricultural investment models

According to the outline and methodology detailed here above, seven models of large-scale land and agricultural based investments are identified. At the two extremes, according to a degree of integration, more traditional setups are found: the independent farming model and the agribusiness-estate model. In between, again according to a degree of integration – which, as we will see later in this document, seems an adaptation strategy with regards the establishment of the activity in a relatively new agricultural environment – a number of novel hybrid forms are developing. The latter are: the associative model, the cooperative model, the speculative 1000-day model, the asset management and investment funds model and, finally, the nucleus estate model.

1.1 Independent Farmers

Although composed by different type of farmers engaging in diverse farming activities, the particularity of this group of large-scale investors relates mainly to the fact that they are settling as independent farmers, relying on their own funding. The model is based on the establishment of large independent family farms (mainly based on South Africa's commercial farm model). They do exist all over, however, certain countries seem to be more appealing to this type of investors than others: for example, Madagascar calls for a

large number of independent French investors and Mozambique attracts significant number of South African (up to 800 according to some informal sources; but also others, such as Portuguese and Australian, interviewed during this study); while Congo Republic and Zambia tend to favor other models of agricultural investment.

** Set-up and organizational characteristics of the model*

Some common specific characteristics should be emphasized:

- Firstly, land is acquired through local level, often negotiated through local authorities. The areas acquired vary from a few hundreds of hectares to few thousands hectares (generally less than 5,000 ha).
- Secondly, the independent farmer supports all the risk from the production to the commercialization. These farmers realize all the activities on their own, with little contracting or partnerships. As such, the farmer focuses on basic market production, going for the easiest and more profitable opportunities, whether they are domestic or international. In the majority of the cases however, farmers tend to produce for domestic markets as produce demand is higher, prices received are often above international prices (as domestic prices are based on international imports for a large majority of produce) and transaction costs (particularly transport) are lower.
- Thirdly, the investment capital originates mainly from previous savings or activities. Financial resources are the main difficulties these farmers are facing. The financial services are in most of the Southern African countries not well established, in particular for such initiatives, leading to farmers only accessing high interest-rate loans (23% in Mozambique for example); on the other hand, few banks in their home or other country are willing to provide them with working capital.
- Lastly, they engage in various production patterns, although mostly in fruits (mango, banana, citrus), grain production, cattle and game farming. There seems no particular commodity that seems more important.

** Results, outcomes and sustainability*

There are few successful farmers in this model; most of them are struggling to establish. A large share of them tried to have access to land, few succeeded and managed to start their production, even less manage to continue on a long term basis. Indeed, the technical difficulties and institutional uncertainties are major factors for failure. Production of low value added commodities (such as grain and rice – although easier and capital less intensive) seems not suitable if the farmer remains at this stage of the value chain. The only projects that seem successful are those with higher value-added production such as game farming, fruit and vegetable production, intensive poultry production and, in some extent, extensive cattle ranging.

** Inclusiveness and local/national development*

Regarding the inclusiveness and benefits of this model – besides production for domestic markets in some cases, as this model is based on the establishment of an independent farm by a foreign farmer, there is little inclusiveness with domestic farmers, with few

numbers of permanent and seasonal unskilled jobs being created. In addition, as most of these farmers are struggling, most of potential benefits for the local communities will be the first to be jeopardized. Also, since it often concerns individual cases, these investments have little leverage on broader developments such as infrastructure or social measures. In general, the benefit is a once-off compensation for the land use and depending on the national law, a yearly tax on land use. In addition, since it concerns rather smaller pieces of land, access to land is often acquired through local (regional or provincial) authorities with few formal enforcement measures in place[7].

1.2 Associative land management

A second model, based on innovations mushrooming from the previous one, consists of farmers establishing associations (considered as informal groupings) in order to overcome some of the obstacles encountered by the independent farmers. Although the obstacles for the individual farmers while settling in the host country are similar to the ones encounter by the farmers of the independent farmer model, the objectives, set-up and by consequence the model itself might vary significantly.

** Set-up and organizational characteristics of the model*

Two types of associative set-ups were identified:

- Farmers setting up an auxiliary farming activity, as an extension of farming activities in their home countries. This set-up allows for the newly settled entity in the host country to benefit from continues financial support (avoiding as such the dependence on host country loans or alleviating the financial pressure related to the long – often unproductive and thus costly - settlement period), but also from technological and stock transfers, developed market channels, etc. Although an additional focus might be to conquer new, host country, markets, in general activities remain export oriented as they benefit from the already established markets and structures.
- Farmers affected by the aforementioned obstacles tend to group in order to pool resources or benefit from economies of scale. Although the production itself remains in general independent (all cases identified through the study), pooling of resources and in particular instruments and working material are sought through this set-up (significantly lowering establishment costs and transaction costs, and organizing input and output markets often through contractual arrangements).

The sizes and productions in this model depend on the type and number of independent farmers the specific projects gather.

** Results, outcomes and sustainability*

These associations not only seem more stable as the independent activities, they also seem to structure the non-well-established agricultural sectors. They do so through

[7] This being said, due to the non-transparency at that level and related to the many failures mainly through institutional insecurity, investors tend to favor more and more well established and securized routes (although longer and heavier in procedures). As such, in Mozambique for example, formal and private intermediaries have established and process demands for land in a strictly formal way.

organizing agriculture (farmers organizations, etc.), as well as by opening up markets and creating an agrarian economy. Subsequently, indirect outcomes will, in time, lead to better infrastructure (roads, electricity grids, …).

** Inclusiveness and local/national development*

As these investments do occur as autonomous and independent clusters, little interaction with local dynamics mushroom. The collective action generated through these associations enables them to limit their dependence on the local (institutional and economic) environment, but also creates what can be seen as closed structures within the host countries. This being said, in two cases identified through the project, associative models were developed with local farmers, leading to more inclusive agricultural investment models and thus broader local benefits and development.

In addition, local results might also be reduced, as - particularly in the case of the first sub-model – production seems to favor export, through their already established channels.

1.3 Cooperative model

A second institutional innovation regarding agricultural investment models observed in Southern Africa is the establishment of cooperative structures of farmers in charge of developing farming operations in the host country. These cooperative structures are often based on well-structured agricultural unions, established abroad. Examples of this model are Congo-Agriculture in the Republic of Congo and AgriSA-Moz in Mozambique, both engaging South African farmers.

** Set-up and organizational characteristics of the model*

These cooperative structures have several objectives:

- Representing the interest of the farmers engaged abroad;
- Negotiate with national authorities on behalf of the farmers in order to obtain access to land and benefit from certain advantages (level of tax, assurances, support for infrastructure development, import/export benefits, etc);
- Establish and support the productive base (cooperative set-up, i.e. screen farmers, coordinate the group of farmers, secure funding, empower its members with technical needs to operate in a new country, but also offer the institutional support, etc.[8]

[8] The cooperative structure is the basis for many elements related to the development of a sustainable farming enterprise. For example, in one case, the financial resources come from a loan made available by an institution in the home country. The latter is made possible as the loan was taken on collectively by the cooperative structure, backed by the mother union and internationally. The initial loan is used exclusively for cooperative elements, such as overall infrastructural development, common farming activities, etc. Secondly, the cooperative structure facilitated contractual arrangements for the off-take of the production, through its government contacts and the identification of off-takers, but also through its negotiation power with the third parties.

As such, a significant particularity of this cooperative model is the bilateral basis on which it is based.

At least during the first years, the cooperative structure is the legal land concession holder and is responsible for the coordinated efforts of the farmers, their suppliers, the logistics and the marketing of products. Farmers are members of the mother union and cooperative structure and are farming collectively with a cooperative type of management. These can be subdivided and/or transferred to the partaking farmers, as is planned in Congo Agriculture[9]. The total area concerned depends on the number of farmers involved (ranges from 10 to 35 farmers), but generally covers several ten-thousands of hectares (10,000ha-80,000ha).

** Results, outcomes and sustainability*

These present one of the most stable farming projects abroad. The institutional and productive bases of these set-ups are relatively stable. In addition, the solid organizational base opens many doors and possibilities, ranging from government support to possible contractual arrangements.

Although in the different cases, productions remained in its initial stages, it was growing rapidly, on a sustainable basis. Due to the bilateral agreements, not only performance thresholds are established also certain conditionalities are agreed upon (production - mainly of basic commodities, especially during the initial phase of the projects - for local markets[10], etc.). And, most importantly, through the employment creation and the enhanced infrastructure, an effective development, based on local dynamics, was instigated.

** Inclusiveness and local/national development*

This model is not an inclusive business model in the sense that local people are not involved in the decision making process concerning the farming activities. The benefits planned are a once-off compensation for land use as well as social and productive infrastructure and labor creation. In addition, most of the time, farming systems are highly mechanized and inspired of commercial farming operations. Large scale plantations are the rule and no out-grower schemes are planned.

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[9] Once the overall project established, independent farming activities will be developed on individual plots. The latter will be developed autonomously, based on own inputs and contributions (for example, farmers will have to seek own funding and lending opportunities). Three sub-models might exist in parallel: the first one will remain the cooperative activities (the farmers engaging in the latter will perceive a salary from the cooperative structure); a second sub-model will be based on individual farming activities (based on the independent farmer model); a third will take on the form of smaller syndicates that will gather a small number of independent farmers (based on the associative model).

[10] As such, for Congo Agriculture, the entire production (of maize in the initial phase) is, according to the bilateral agreements, oriented to the domestic market. As imports are often the main chunk of local consumption, leading to high consumption prices, investors get good prices for their produce, while alleviating the dependency rate of the countries and lowering (sometimes by 50% - it is the case of Congo) local consumption prices.

This being said - through the bilateral agreements, the projects that follow this model and were assessed within the framework of this project, included a significant range of benefits for local population, ranging from production criteria, marketing and production use prerogatives, to the establishment of social infrastructure (schools, clinics, …), the development of productive assets and infrastructure (preparing fields, delivering water, …) and to employment creation. In addition, transfer of technologies, making available techniques and instruments are also often promoted on paper. In the case of Congo for example, the creation of an "Agricultural College" is supposed to be the channel for the transfer of technologies. This includes training of farm workers, leadership training for farm managers, artisans training (plumber, woodwork, electrical), driver training, and schooling education for adult. However even if budget for these activities is included in the business plan the different contracts stay vague on the realization of these commitments.

On the ground, although the difficult initial phase leads the investors to focus on their core business, leading to the social aspects to fade away (at least temporarily), several (often more indirect) benefits occurred. In the cases analyzed in this project:

- Investors generated electricity, giving local populations access to public lighting (and even use of public TVs, etc). Boreholes were revitalized or new ones digged, giving people access to water.
- Through the negotiations of the investors, in the framework of the bilateral agreements, road infrastructure was enhanced, giving the investors but also the local population's access to the nearest towns.

1.4 The 1000-day model

This model is based on the objective to make available on the international market, in approximately three years (hence the 1000 day model), a ready-to-start large farm operating in food or biofuel production. The rationale of this hybrid model is based on two assumptions:

- an anticipation of a future demand for land for food and biofuel production;
- the significant increase of land value at the time the farm is ready to produce (and can be sold to an agribusiness company or an investment fund.

The 1000-day model can be defined as "land speculation" [11].

[11] This model is similar to the ones found in South America (mainly Argentina) (Rabobank, 2011). Rabobank's Industry Note describes such model as "Land transformation model" and emphasizes "although they grow crops and own a feedlot and slaughterhouse, their main focus is on land transformation, developing farmland with productive potential and selectively selling those properties where values appreciation has been realized". This "1000 day model" is thus not new in the economic literature, its implementation in Southern Africa is.

** Set-up and organizational characteristics of the model*

On one hand, a developer, i.e. a company or consultant/entrepreneur often locally integrated but with strong foreign business linkages, establishes large scale farming estates. On the other hand, a "financer", generally foreign agribusinesses, investment funds or individual investor (almost always listed on a stock exchange market), provides the financial resource (without directly engaging in the operations). The developer is either in charge of all the activities (in order to reduce risk) or, as is often the case, sub-contracts parts of the activities to service providers. Because of the short timeframe of the project and the high level of risks and uncertainties, contracts are characterized by a high level of coordination.

The objective of the investors is to raise on average a 30% return on investment after 3 years, equivalent to a 1000 day establishment plan on farms of, on average, between 5,000 and 10,000ha. After 3 years, once the farm is established and when the marginal profit starts decreasing, the farm is sold[12]. The process to acquire the land or the right to use it is centralized. The developer uses his relations and networks within different institutions to facilitate the land acquisition process and the farm establishment.

** Results, outcomes and sustainability*

Many jatropha projects are based on this model. However, there is no or little effective production in this model as it is based on the financial benefits drawn from land transformation, based on speculations and future projections.

In addition, the fieldwork showed that most of these projects never really took off or collapsed, in particular those focusing on jatropha, mainly because of overall economic feasibility issues of projects (with many project being sold to European investors pushed by Europe's environment policies and the promotion strategies of their diplomatic-economic services in the host countries).

** Inclusiveness and local/national development*

This is probably the worst model in terms of inclusiveness and benefits because it is based solely on the capture of a rent from the land transformation. Due to the centralized process and the time-constrained implementation, it results in:

- a lack, even a total absence, of consultation of the local communities;
- mainly mechanized activities, with few jobs being created; in addition, the jobs created are short term as the project is supposed to be sold after 3 years.

The only benefits for the local populations are once off compensations in exchange of the use rights to the land. Worse, the large amount of failures leave the local communities not only with unproductive projects, several could also lose (at least temporarily) their land rights and parts of their livelihoods.

[12] The value of the farm continues to increase with the value of the production; however, one will never obtain again a sharp increase in the asset value.

1.5 Asset Management Companies and Investment Fund model

This model is characterized by the involvement of a new type of actor in the agricultural sector: financial actors and investment funds, aiming to diversify their portfolios. As a result of the widely held predictions, they perceive the agricultural sector as an investment for the future. The rationale on which these models are based is thus purely financial, with the investors anticipating a significant yearly return on investment, from the land and/or the production on the land.

** Set-up and organizational characteristics of the model*

In comparison to the 1000-day model, only two major actors generally engage in this model, the investors/financers and the asset management company:

- The financers are investment funds, which decided to invest in agriculture. Several types of investors occur: corporate clients, funds listed on a stock exchange and private equity funds. In addition, public investors (development finance institutions and sovereign wealth funds) also often engage in agriculture through this model.
- These investors work with asset management companies in charge of setting up and managing the agricultural projects (Buxton et al., 2012). These asset management companies are responsible for the effective work on the ground, including fund management, project set-up and management (from land access via production to organization of output markets), etc.

The company makes its profit through its technologically advanced contribution to the agricultural operations, the financial tools they are employing, the economies of scale (related to input purchases, etc.) and through advanced risk management[13].

** Results, outcomes and sustainability*

Focusing on financial indicators (mainly quick and safe returns on investment, projected by these asset management companies and particularly their investors to be around 30% per year), asset management companies and investment funds:

- establish large-scale commercial and mechanized agricultural projects, covering between 5,000 and 10,000 ha;
- while the production is delocalized, tend to reduce investment risk, by being based in more stable and well-established countries, such as South Africa (but venture abroad because of the high(er) potential returns on investment);
- Focus purely on more lucrative markets (often produce with high-value addition), although - due to often higher output prices in the host country – many asset management companies are more and more focusing on local markets.

[13] Financial and production risk management strategies include i) multiperil insurances and hedging; ii) geographical and commodity diversification.

The results of this model are nuanced. Although managers stay on the ground, the asset managed company remains for away from the field, in unstable and not well established environments where the high technological and financial instruments have little (or at least much less) impact. Much lower than expected returns often lead to loss of confidence in many asset management companies and the withdrawal of funds. It results in tighter control mechanisms, mainly through higher degree of coordination and vertical integration by the asset management company.

** Inclusiveness and local/national development*

As detailed in the results section, although the production can benefit domestic economies, the potential benefits for local communities are often limited. Engaged in by asset management companies that are based abroad, the activities are mainly large-scale, largely mechanized (and thus not labor intensive), risk-averse (hence no outsourcing or out-growers practices), focusing on most lucrative and well-established markets (which are generally in the country of origin of the investment fund). The agricultural practices, shaped according to financial indicators, are also questionable from an environmental angle.

1.6 Nucleus-Estate Model

This model is structured around agribusinesses that are integrating - at least partly – primary production. When previously companies endeavored to secure their primary needs (produced by independent farmers) through a diverse set of mechanisms such as contract farming, out-grower schemes, etc., (i.e. externalization of activities), a reverse tendency of internalization is presently be identified.

Two reasons explain this tendency:

- the high production risk environment related to the investment in less-established countries (requiring a more centralized control by the agribusiness);
- the reversal of the risk/profit relationship appearing within the production chain (Vermeulen and Cotula, 2010). Whereas primary production constituted until now the main risk factor, with profits returning to downstream and particularly upstream actors; the increase in agricultural prices now tends to invert this relationship.

** Set-up and organizational characteristics of the model*

The model, generally exceeding 10,000ha, includes three sections, functioning simultaneously:

- Part of the production is produced by the agribusiness itself (generally one third of the needed primary produce. However it can increase according to the risk of the environment the agribusiness engages in). The farmers in this sub-model are employees of the agribusiness.
- A second third will be producing either through contract farming but more and more on a managerial basis (as part of the companies' integration model). The farmers are

then either independent farmers linked through contract farming arrangements to the agribusiness, or service providers for the company (with a tendency lately to strengthen dependent relationships and control over the farmer/service provider in order to reduce risks). In most of the cases, these farmers/service providers are knowledgeable commercial farmers, often also coming from abroad.

- The last third will be on a market basis, giving the company flexibility for its activities.

** Results, outcomes and sustainability*

Established by well-structured and developed agribusinesses (often multinationals), the model is generally stable. Not only do these businesses benefit from financial backups (from the mother company), they do also benefit directly from the other activities the company is engaged in (often facilitating transport, markets, etc.)

With the basic model mainly being developed in the sugar, cotton and tobacco sectors, it is now expanding to other commodities such as fruits and vegetables and rice. Important to note is the engagement of non-agricultural businesses on the basis of similar models in agriculture (as such, besides supermarkets, breweries, etc., also mining, marketing and transport companies have been engaging in primary agricultural production)..

** Inclusiveness and local/national development*

This model is probably one of the most beneficial large-scale investments in terms of local development. Not only does it contribute through important job creation (mainly through the agribusiness), it also facilitates the inclusion of independent farmers based on different schemes. Due to a problem of inconsistency, the latter might however not be through local farmers.

In addition, this model, related to its centrally negotiated set-up, is benefiting from infrastructural development (i.e. road infrastructure, electricity, water, …) which is also benefiting local development. These multinational, through their Corporate Social Responsibility (CSR) programs, can also engage in social infrastructure development through the development of schools, clinics, etc.

Finally, as main economic players, the investors of this model tend to follow market trends, covering both local as international markets.

1.7 Agribusiness Estate

This model is characterized by the full vertical integration of the different segments of an agricultural value-chain, mainly through (general foreign) multinational enterprises.

** Set-up and organizational characteristics of the model*

Several forms of such enterprises were identified:

- Large private agribusinesses, expanding their markets and portfolios;
- Foreign parastatals, looking into securing their food security situation at origin;
- Colonial structures that are being revitalized by the host government, by recalling and redeveloping old and faded ties.

This total integration relates to diverse trajectories/elements:

- Commodities that necessitate direct transformation. It is particularly the case for sugarcane production, for example. South African companies such as Illovo, Tongaat-Hulett and TSB, but also some European companies (in Mozambique for example), are very well established in the region and are presently investing in Southern African countries based on this model.
- A more recent tendency is related to the decision of certain transformation industries to integrate the primary production. Such processes have been accelerating since the food price crisis, the reduction of world stocks and the increase of basic commodity prices in 2008-2009 (mainly with the aim to reduce costs and secure procurement). It is the case for example of breweries, but also of certain fruit and vegetable transforming enterprises, etc.

** Results, outcomes and sustainability*

On one hand, these large operations may have important implications on the national agricultural sector growth as well as on the energy autonomy but, on the other hand, imply specific characteristics and important risks.

- These large projects are often considered as strategic by national authorities. This political support can imply a centralized decision concerning the approbation of the project.
- Because of the large amount invested in these projects and the risk of contracting with other farmers, agribusinesses prefer to rely mainly on their own production. This agricultural investment model presents a high level of coordination or even a total integration of all the activities. Although some agribusinesses contract with service providers able to furnish solutions for loading and transport logistics and for a broader range of mechanized services, in the majority of the cases, the agribusinesses vertically integrate all the activities. In few cases, out-grower schemes are implemented.
- These very large projects (more than 20,000ha) often rely on irrigated crops (from basic commodities such as maize up to a large variety of fruit and vegetables), highly mechanized and intensive in fertilizer farming systems. This mode of production is not without environmental concerns.

** Inclusiveness and local/national development*

Beneficial at national level (food production, job creation, etc.), benefits for local populations remain limited. The latter could be potentially higher, more particularly in the framework of the company's corporate social responsibility (CSR) strategies:

- due to the strategic character of these investment for host governments and the political support deployed for such projects, this model implies a centralized decision process, often leading to a lack of consultations with the local population;
- due to the far-reaching vertical integration established by these investors, few out-grower schemes with local farmers are developed. The working relation between the agribusiness and the local population is only based on employment (full time and temporary jobs) even if some governments try to promote partnerships between agribusiness and smallholder farmers (see previous model).

2. The not that rosy trajectories of agricultural investments in Southern Africa

Although the models have been analyzed independently from the countries, certain models seem to be developing more in specific countries. As such, all models tend to develop in the relatively liberal Zambia (Banda, 2011). Congo tends to centralize more its administration (Ntampaka, 2008), leading to models based on bilateral negotiations such the cooperative model, the nucleus-estate and the agribusiness one. An intermediary dynamic can be identified in Mozambique, where at national level a more centralized system (Tanner, 2010) leads to the larger cooperative/nucleus-estate/agribusiness ones; however, through its decentralized administration, many – often smaller independent/associative/ 1000day/investment fund ones – are establishing at local level.

Despite these divergences, all the models reflect three common tendencies: a high investment failure, a tendency to increased integration and little inclusiveness of local populations.

2.1 The rush back home? A large majority of investments are failing

A consensus exists in the research community on the fact that a high proportion of deals that are reported by the press are never implemented (Anseeuw et al., 2012). Indeed, there is a large difference between the expression of interest from an investor and the effective implementation of a project. Beyond the latter, this project emphasizes that, among the projects that have been established, there is a high level of failure. This is perhaps less the case for the cooperative model and the fully integrated ones, but is certainly a fact for the projects dedicated to biofuel production generally implemented as a 1000-day or an investment fund project.

Without pretending to be exhaustive, several reasons explaining this high level of failure have been identified:

- *Uncertain institutional environments and the difficulty of doing business*: the weak quality of institutions results in non-transparent practices affecting investment and in uncertain investment climates for the (foreign) investor.

- *Technicality of the projects*: the underestimation of technical and managerial difficulties related with the implementation of large land deals in often difficult ecological, political, bureaucratic and socio-economic environments.
- *The lack of markets*: local input and output markets are often not well developed, they are also often not accessible or too expensive to reach; export markets are often difficult to reach, as processes are long and expensive, norms different and non-tariff barriers frequent (even within the region); and individual farmers' low volume and irregular production patterns (particularly in the early phases), does not allow the farmers to organize distant markets (transporters are not interested due to relative the high costs in comparison to the volume).
- *Lack of financial services*: financial services from more established economies, such as South Africa or other developed countries are often unavailable due to the high risk environments the farmers invest in; local financial services are very expansive and often not adapted to settling investors, especially in agriculture. For example, commercial bank's interest rates are 22% in Mozambique.
- *High settling and transaction costs*: Not only has everything related to the investment to be set-up (often from nothing), the entire agricultural and doing-business environment has also still to be established (high transport costs, electricity, water); related are high transaction costs, since the doing business environment is less-established but also related to the lack of trust between actors

These different aspects of the reality of agricultural and land investment models depict a not so rosy story concerning the land deals that have been implemented. A large number of projects have failed, even before effectively starting to produce. It pushes many to return to their origin country, representing a rush back home. Others tried to change their investment model by, for example, work for other investors or by forming associations or implementing activities through the cooperative model.

This leads to three major implications:

- First, this situation leaves the population and the host countries in the worst possible situation. Not only haven't local populations had access to the land for some years - stopping their own farming activities and altering their livelihoods, neither do they benefit from employment opportunities and are very unlikely, full compensations or infrastructural developments as promised. In some situations the land is just abandoned, with this new uncertainty on land rights creating even more clashes. This illustrates the role of public policies and national authorities: Public policies must not only be attracting investors but also be screening and assessing their projects in a selective way.

- Second, the high number of failures leads to rapid changing strategies of the investors, leading to the typology of models presented in this report to be dynamic. Some actors who failed re-strategize and engage in another model . Another case scenario is the buy-out of a failed project by another investor already working in the host country. This phenomenon leads to a more concentrated agrarian structure, but also to first hand negotiations and local population's inclusiveness to be neglected.

- Third, the better-off investors are those engaging in models characterized by a high level of vertical integration. Although large-scale land acquisitions tend to focus on the primary production, the many difficulties encountered pushes investors to vertically integrate the latter within well-structured value-chains.

2.2 Vertical coordination - A necessity to success?

A common trend is observable in all models identified in this project: an increased tendency to vertically integrate. Not only is there an increasing degree of integration from the first independent farmer model towards the last agribusiness estate model; the tendency is also observable within each model. Indeed, whether independent farmers, the associative or cooperative models, nucleus estate models or asset management and investment models are considered, all of them tend to integrate their activities in an overall vertically integrate entity.

This integration process encompasses not only the farm itself, but also the entire chain of agriculture-related business, including seed supply, agrochemicals, processing, machinery, storage transport, marketing, etc. (Figure 13). The approach is not new, and several agricultural export sub-sectors (such as coffee, cotton, etc.) are already structured according to this model, particularly in Latin America (Rabobank, 2012). However, over the past few years, this financial strategy has been applied more widely, both geographically and at the level of the concerned value-chains (e.g. cereal).

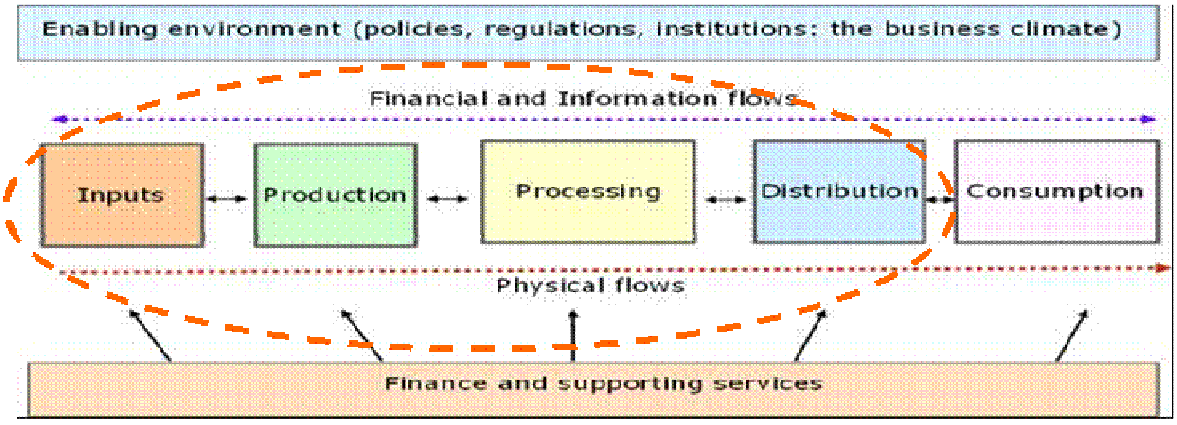

Figure 13: The finance value-chain and the advanced integration of value-chains

Two processes of vertical integration should be emphasized.

- Firstly, because of the increased interest and increased commodity prices, according to Vermeulen and Cotula (2010), a reversal of the risk/profit relationship appears within the production chain: Whereas primary production constituted until now the main risk factor, with profits mainly returning to upstream actors, the increase in

agricultural prices now tends to invert this relationship benefiting as such the primary production activities. This leads to agribusinesses or other corporates to integrate primary agricultural production in their portfolios.

- Secondly, avoiding the above mentioned obstacles is another main reason for investors to vertically integrate. Vertical integration is a frequently applied strategy in order to overcome market imperfections (Reardon and Barrett, 2000. The more the coordination goes toward integrated forms, the more the risk decreases, the resources access is secured and the bargaining power is strengthened (Reardon et al., 2009). As such, this strategy of integration (from the primary production up to the processing and final commercialization) is presented, not only as an attractive opportunity of doing business in risky environments, but also as a necessity for investors in marginal economic and institutional environments.

2.3 Few inclusive agricultural development models

These failures also lead to few inclusive agricultural development models. Indeed, investors tend to focus more on their core business when times are hard, aiming at establishing their activities first before tending to support other ones.

Two direct consequences are resulting from the latter:

- The first one is related the 'isolation' of many of the foreign investments. Indeed, as very little inclusive models are being developed, with very few relationships being created with local farmers and stakeholders, many of these investments can be considered as archipels within local economies.
- The second one concerns overall agricultural development, in particular for local economies and populations. Based on the present observations, success of these investments does not necessarily mean the development of local agricultural economy. Although some models and specific projects do endeavor to integrate local development objectives in their model, most tend to avoid it, particularly since the core establishment of the projects tend to be difficult. When some still focus on certain social aspects, the capacity of such measures to structurally change local economies remains limited.

Where local populations are excluded from development initiatives, an escalation of competition into conflict is a significant risk. In many cases, popular discontent has so far taken the form of peaceful advocacy and protest movements. Where injustice is seen as unresolved, the risk that such disputes and movements lead to direct and violent confrontations is real (Madagascar being the major example in Southern Africa).

Conclusion: Southern Africa's broad agrarian change

Besides the already well-described direct (loss of land, loss of livelihoods, etc.) and indirect consequences (food security issues, environmental aspects, etc.), Southern Africa's agricultural sector is presently undergoing a profound restructuring. Attention is often solely focusing on determinants and direct implications related to the large-scale land acquisition phenomenon. However, the acquisition part represents only the tip of the iceberg in terms of wider land-related and agrarian dynamics. Indeed, the land acquisition phenomenon tends to divert attention from the dynamics of renewal of agricultural investment dynamics by certain actors into agriculture and land-based activities.

New actors, bringing in new practices, references and outside experiences, have entered the sector. Their interactions and inputs have been altering the sector's "traditional" modes of action, investment and production. As such, new agricultural development paradigms have been emerging, manifesting itself both at the national and regional levels. In order to better understand these restructurings, this concluding section aims at recontextualizing the observed trends at global level (section 1). It then presents recommendations, from the previous models and agrarian transformations, that are important if conflicts are to be avoided, and on how they can be included in more inclusive development models (section 2).

1. Implications for agrarian development and restructuration

1.1 Financialization and corporization of agriculture

First of all, the investment models described draw the attention on new actors appearing on the Southern African agricultural scene. As pointed by the different investment models presented in our report, investment in land and in agricultural production is not just engaging agribusinesses and farmers solely; financial investors, asset management funds and companies are now among the most important actors in the agricultural sector. As such, originating from industrial or financial sectors, engaging as entrepreneurs, investors or even as pure speculators, the suppliers of capital seem more and more exogenous to the agricultural sector. As a result of the widely held predictions, they perceive the agricultural sector as an investment for the future and engage as such in "Malthusian oriented speculation" (based on the pressure on land and natural resources related to the increased population growth).

New actors have entered the sector, bringing along new practices, references and outside experiences. Their interactions and inputs have been altering the sector's "traditional" modes of action, investment and production. Besides financing, these actors bring along

renewed business logics, modes of actions and regulations, stemming from other sectors. As such, through the increased role of investors and financial actors, for example, a "financiarization" of the sector is taking place which is redefining the borders of the agricultural sector (Anseeuw et al., 2012). Related to the latter, the last couple of years have seen an unprecedented boom in agricultural speculation. Whereas speculation has in the past been limited to an internal and short-term phenomenon, it has been evolving towards long-term strategies, led by actors external to the sector.

Secondly, the Southern African agricultural sector is currently also characterized by an industrialization process, or rather a "corporization" process. This dynamic is not related to mechanization *per se* but rather to a transformation of the production structures. Increasingly, the agricultural value-chains tend to be controlled by few dominant actors, mainly corporates. The control over various segments along this chain is established either through direct acquisition, or through contractualization of the actors. While in South Africa the dominant actors include banks and certain former cooperatives, elsewhere other models engaging different macro-actors are emerging (agribusinesses, investment funds, co-operative structures).

This dual process of – "financiarization and corporization" of the agricultural sector is presently leading to an in-depth reorganization and restructuring of the agricultural sector in Southern Africa. This agro industrialization process has been taking place in emerging countries such as South Africa for quite some times now. However this phenomenon is relatively new for other Southern African countries.

1.2 Closed value-chains and foreign powers

As described in the previous part, vertical integration is either a voluntary or necessitating strategy for the agricultural investors. Through advanced vertical integration companies completely control production and establish not only a supply quota and the prices for agricultural production but also the size of that production and its technological level. As such, the organization of agricultural production tends towards a strongly integrated structure.

In the extreme case (such as the agribusiness one, the total integration of these activities allows dominant actors to widen their control over the productive cycle in its entirety (Williamson, 1985; Reardon et al., 2009). The strategy of these investors is to start with the primary production but then to establish closed parallel value chains in order to add a maximum of value to the product but also to control all the steps from the production to the commercialization.

The control of agricultural production by a small number of macro-actors, raises not only the problem of concentration and dualization of the sector (see hereafter), it also draws attention to the need to analyze this phenomenon within the framework of the strategies of these actors. Indeed, closed value-chains facilitate economic agents' direct involvement and control over agricultural regulation mechanisms (which is strengthened by the removal of stabilization mechanisms in the context of market deregulation). As

such these actors tend to impose their standards, norms and strategies on these value-chains. On one hand, for example, speculation strengthens profit-oriented strategies, to the detriment of food safety concerns in the countries where the effective production takes place. On the other hand, as foreign economic powers control an increasingly large part of the production and these closed value-chains, it transfers regulation power on domestic issues abroad. This emphasizes food sovereignty issues within these countries in a context of amplified liberalization. Producing countries' food safety and sovereignty are thus at stake.

1.3 Concentration and dualization within the agricultural sector

The trends mentioned here above inevitably lead to a concentration in the Southern African agricultural sector. Indeed, the dual process of – "financiarization and corporization" of the agricultural sector is leading to a new regime which is characterized by the dominion of a few large international food-business groups (Huggins, 2011) and could lead to the marginalization of the majority of African farmers due to biased power relations and confrontation with models of significantly higher productivity (Losch et al., 2010).

Two groups of actors seem to benefit in particular from the agricultural restructuring.

- The integrated structures based on the agribusinesses schemes and financial actors which, by directly controlling an increasingly large portion of primary production or by imposing their criteria on producers, become the regulators of the sector.
- The agricultural intermediaries, such as the financial institutions, which intend investing in the agricultural sector increasingly depend on the services of agricultural engineering and asset management companies. As managers of both the field operations as well as the financial transactions, these companies are capturing an increasingly large portion of the margins generated by the agricultural activity.

They also strengthen the dualism within the agricultural sector. Whereas the macro-actors see their dominant positions strengthened, entire fractions of the rural Southern African society are excluded from these dynamics. Indeed, as shown through the non-inclusiveness of the investment models, the large majority of the rural masses and smallholder farmers are excluded from the investment processes (also due to the negative results achieved through the investments). This results in agrarian economies that are developing at dual speed, with concentration, marginalization and dualization processes at stake. On the one hand, the existing smallholder (often subsistence) one, is not only little benefiting from present agricultural investment dynamics (directly or indirectly), agricultural policies and support measures tend to shift away from smallholder development towards the facilitation of large-scale investment. In most cases, the former tend to be more than ever excluded from present dynamics and policies. On the other hand, large-scale investment, and in many cases very large scale investment related to the establishment of entire value-chains including - in addition to primary production - up- and down-stream activities, tend to establish. Not only are these new entities much larger than the traditional structures, they are swallowing medium-size entities (mainly taking over the land from the many failures), leading to extreme dualization.

Box 4: Land concentration in Southern Africa

Mozambique

Based on cadastral records in the Sofala province from 1988 up to 2012, this table shows significant land concentration in Mozambique. Although land concentration was already present in the late 1990, it has been reinforced since 2005.

Table 6: DUAT (land registration) applications in Sofala, Mozambique, from 1998 to 2012

	1998 to 2004		2005 to 2012	
Size of land (ha)	Nb DUAT	Total area (ha)	Nb DUAT	Total area (ha)
0 – 10	24 (37,5%)	101 (0,3%)	72 (37,7%)	161 (0,1%)
10 – 50	22 (34,4%)	411 (1,1%)	22 (11,5%)	435 (0,2%)
50 – 100	2 (3,1%)	145 (0,4%)	11 (5,8%)	741 (0,4%)
100 – 500	5 (7,8%)	920 (2,4%)	32 (16,8%)	6 257 (3%)
500 – 1 000	4 (6,3%)	2947 (7,7%)	14 (7,3%)	9 418 (4,6%)
1 000 – 10 000	6 (9,4%)	23 276 (61%)	33 (17,3%)	96 715 (47%)
➢ 10 000	1 (1,6%)	10 348 (27,1%)	7 (3,7%)	92 000 (44,7%)
Total	64	38 150	191	205 728

South Africa

In the South African case, these renewed investment models tend to focus on the direct engagement of commercial banks and investment funds/asset management companies into agriculture. These actors tend to control the land of medium-scale commercial, privately owned, farms (who, related to the increasing debt of farms, are struggling to cover the costs of settling productive and competitive farm structures) and, more recently, land of emerging farmers which had been redistributed through the country's land reform program but which collapsed. If in 1994 South Africa counted 60,000 commercial farms, today it only has about 34,000 left of which a large majority (or at least a large proportion of its production) is controlled through corporate engagement (Anseeuw and Ducastel, 2012).

1.4 Proletarization and pauperization of the agricultural society

While the emergence of these new production models generates numerous economic related transformations, social impacts should also be highlighted. Indeed, one of the common characteristics of these innovations seems to be the significant change in the statuses of the farmers.

The incorporation process of family-based producers by macro-actors and corporates impacts their relationships with the sector. Farmers find themselves incorporated into production chains in which they are isolated actors with no decision-making or orientation power. Generally, the technical capital used, characterized by ever-increasing costs, does not belong to them but is made available, owned and managed by the management company. Although in some cases they remain the owners of the land, their situation is increasingly similar to that of proletarian agricultural employees, service providers or even just rent-seekers.

These transformations not only impact the producer as economic agent, but in particular also as social actor. This "corporization" perturbs social relationships and traditional features characterizing Southern Africa's agricultural and rural environments. The family unit constituted until now the basic structure around which agricultural production was organized, both in the former-homelands as well as on the commercial farms. The incorporation of autonomous family enterprises into corporate structures necessarily modifies the relationships with the agricultural sector. Is it the end of the family farmer?

2. Towards Sustainable Investment – Recommendations

1. Encourage investment, but avoid large-scale land acquisitions, leases or concessions that involve acquisition and conversion of land from smallholder production or ecosystem service provision

Fundamental to the way forward is defining under what parameters investments are likely to bring harm or benefit. Contexts are diverse, demanding different strategies, and attempting to define a one-size-fits-all model for investment would be counter-productive. However, evidence so far indicates that the first point of divergence between investments that are very unlikely to be beneficial to local populations, and those that could benefit local populations is whether or not the investment is predicated on a transfer of land rights (in legal or de facto terms) away from local land users (HLPE, 2011). At this point it is critical to emphasize that all large tracts of productive land that are not already under commercial production will have local claims to them; dealing with local populations will be a consideration in every such large-scale investment.

Alternative forms of investment that do not involve the alienation of land rights, such as sharecropping, equity sharing or outgrowing may provide some routes to more equitable investment models, although they are not a silver bullet (Cotula et al., 2009; Sulle and Nelson, 2009; Cotula and Leonard, 2010). Where acquisition of land is a necessary and legitimate investment strategy, such acquisition should be negotiated with local communities, and should be subject to their Free, Prior and Informed Consent (FPIC).

KEY ACTIONS
Host governments:
Develop investment guidelines and procedures for attracting investment that do *not* involve transfers of land rights
Civil society and farmers' organizations:
Mobilize local land users and farmers to represent their interests to decision-makers in investment contexts where they face possible dispossession
Corporate investors:
Recognize local claims to land and respect the moral right of local communities to Free, Prior and Informed Consent even if these are not legally required or enforced
Avoid investment strategies that involve conversion of land from smallholder production or provision of important ecosystem services
Development partners:
Facilitate sharing best practices and consider subsidizing the opportunity costs of investors who are willing to adopt models that are able to meet local priorities.

2. Enable open and inclusive debate by <u>all</u> stakeholders on investment frameworks, land use, and rural development

An urgent step required is frameworks to be developed that provide agreed benchmarks for responsible investment. It is a good sign that questions of large-scale land investments have started to become widely debated in various international fora, and even in a number of national and regional parliaments. However, a mark of these debates has been their exclusivity. The voices of those with the most to lose if it is done badly – the land users themselves – have not been adequately heard.

This is beginning to change, however. Organizations representing local land users, such as farmer's organizations have begun to undertake their own research and consultations and develop their own positions on land-based investments. This project is part of it.

KEY ACTIONS
Host governments:
Enable inclusive debates at national level and in areas targeted for investments on the priorities of local populations for land use and rural development.
Develop agreed national frameworks for land-based investments
Consider national moratoria on acceptance of land-based investments and Bilateral Investment Treaties until national frameworks for land- based investments have been agreed through wide consultations
Civil society and farmers' organizations:
Mobilize different user groups, in particular women and other groups of land users who are vulnerable to marginalization, to develop evidence-based positions and contribute to debates on land and investment
Multilateral system:
Ensure that the development of global standards for equitable investment, such as those convened by the CFS, follows an open and inclusive process, especially of land-users themselves

3. Development of mechanisms to promote transparency, accountability and monitoring of land-based investments

A major obstacle to promoting good practice in land-based investments is the current lack of transparency that characterizes many investment deals. Without transparency, accountability cannot be exercised for investors to either adhere to voluntary benchmarks

for good investment practice, nor to meet national legal obligations where these exist. Improved transparency and disclosure at critical stages in the process of state land and natural resource use planning, land-investment contract negotiation, allocation of rights and project management would allow poor decisions or corrupt practices to be identified and reversed *before* they are formalized or implemented. More transparent investment practices would not only also protect local populations, but also investors willing to invest in a transparent way. An important complement to improved transparency is the monitoring of investment practices by civil society so as to exercise accountability where necessary, and more widely to provide an evidence basis for action.

KEY ACTIONS
Host governments:
Adopt a full disclosure policy for all land-based investments
Civil society and farmers' organizations:
Develop national, regional and global observatories to monitor investment and land-related activities and trends
Private Sector:
Voluntarily disclose relevant information on land-based investments

4. Legally recognize the land rights of local populations, in particular over the commons

A founding impediment for communities to benefit from the opportunities presented by increased demand for land is the weak status of their land rights, particularly in the commons. Law is not a panacea; studies also provide examples of illegal acquisition. Nonetheless, getting the legal norms in place that support and protect customary land rights inclusive of common property rights is a prerequisite. The law should recognize that local land users have entitlements to own, use and manage customary lands. Customary interests in land, whether held individually or communally, should have equivalent legal force with statutory entitlements, even if these customary interests are not formally certified. This should recognize the complexities of customary tenure systems, which are often diverse, flexible and plural.

KEY ACTIONS
Host governments:
Demarcate and allocate community lands as a priority, especially in areas under investment interest
Policy and legal reform to give equal statutory recognition to customary land rights over the commons
Ensure the land rights of women are recognized and enforced
Civil Society and farmers' organizations:
Ensure the voice of all land-dependent groups – in particular women – in national level policy and legal reforms
Development partners:
Facilitate the continued piloting and sharing of best practice in innovative, participatory and equitable methods for registering land rights

5. *Democratize decision-making over land that includes the full spectrum of land-users*

Investors are the most influential party in determining the terms of agreements because of the marginalization of local populations in wider decision-making processes about land. Democratizing decision-making over land in part implies building institutions at the local level that are empowered to administer land under their jurisdiction (village land areas, delimited domains, etc). Alongside decentralization of decision making is the need to support the capacity for collective action by local populations; in particular social movements representing direct stakeholders, including those representing farmers, women, landless and indigenous peoples. Indeed, initial evidence suggests that this may be the most effective way of preventing illegitimate dispossession.

KEY ACTIONS
Host governments:
Establish decentralized and democratic structures for the administration of land tenure
Farmers' organizations:
Strengthen local farmers' organizations and their links with higher levels, in order to empower local farmers in building and in partaking in more representative decision-making spheres
Civil society:
Networking and building alliances between international and local organizations and movements on land-related issues
Development partners:
Provide resources to the building of organizations representing land-dependent groups

6. *Ensure environmental sustainability in decisions over land and water-based investments*

In cases where it is possible to calculate the true costs of large-scale land conversions, including environmental costs, it may become apparent that they imply a net loss, despite gains from increased agricultural production. Decisions over large-scale land conversions should be made with a full appreciation of the costs of doing so, including implications for the provision of environmental goods and services, not least water, on which local livelihoods depend. Where national-level legislation provides adequate safeguards, such as demanding independent Environmental Impact Assessments (EIAs), these should be undertaken in an open and transparent manner, and their results made public.

KEY ACTIONS
Host governments:
Ensure implementation of independent and transparent EIAs as a prerequisite to decision-making on land-based investments
Ensure contractual limits on water extraction, based on assessments of sustainability and competing water demands
Farmer's organizations:
Partake in the development, implementation and monitoring of EIAs, ensuring that the farmers' stakes and issues are considered
Civil society:
Monitor the proper implementation of EIAs and promote accountability for adherence to global and national environmental standards

Development partners:
Support the development and application of techniques to define the full costs of land conversions, including to ecosystem service provision

7. Place family farming and smallholders at the center of policies and strategies for agricultural development

Accompanying a paradigmatic change that sees smallholder producers as the best-placed investors in land should be the policies and support services that level the playing field and grant smallholders an equal chance as corporate investors to fulfill this role. Failure to do so at this point in time would represent a colossal missed opportunity to enable smallholders to simultaneously contribute to meeting global food demand while at the same time reducing poverty and promoting sustainable livelihoods in agrarian economies. Solutions include policies that recognize family farming and smallholder rights to the land and water they depend on and empower them -above all the majority who are women- with the necessary capacity, finance, and regulation to increase their productivity, production and competitiveness, and to cope with risks and vulnerability (IAASTD, 2009).

KEY ACTIONS
Host governments:
Policy reform to recognize and equip smallholder farming as a central pillar of agricultural development
Avoid adopting Trade Agreements and Bilateral Investment Treaties that do not give an equal chance to smallholder producers
Farmers' organizations:
Build strong and well-defined agricultural development model based on family farming, to be supported in policy spheres
Strengthen farmers' organizations at the different levels in order to reinforce and support the family farmer paradigm
Civil society:
Contribute to the strengthening of social movements and organizations representing smallholders, women, landless people, fisher folk, pastoralists and agricultural laborers

3. Conclusion: Provoking a new era in land rights and rural development

Some countries have started to reflect and even develop initiatives, program and/or processes which include some of the above-mentioned recommendations. One of the most advanced countries in the region regarding such programs is Mozambique, that – through the Pro-Parceria project (See Annexure 4), developed procedures for land-based investments based on a multi-party partnership (central administration, local administration, communities, civil society and investors). Although necessary, accompanying these investments is however not enough (Borras and Franco, 2012).

Indeed, the end of the first decade of the 21st Century in many ways marks a new era in the place of land, water and other natural resources in global economic and political processes. Questions of land use and land tenure, and their role in economic development

and food security have grabbed the attention of policy makers and even the general public to an unprecedented extent, and the value of owning and controlling these resources in a world of rising consumption is becoming starkly apparent. The governance systems that have regulated the access, use, control, management and ownership of land, which to some degree have been tolerably insufficient in the past, are now clearly inadequate. The scale of the demand for land means that such shortcomings can no longer be tolerated. At the same time, solving them means addressing wider questions of governance that extend far deeper than how to invest equitably.

Confronting the increased demand for land in an increasingly unequal world demands a deliberate and proactive response that considers the full range of consequences for the almost one billion people that face each day hungry. This starts with the crucial step of recognizing their legitimate land rights. It goes beyond this to rethinking the development models we are presently engaged in. It implies a willingness to consider a broad package of measures and instruments, at global and also at national and local levels, acting together in order to bring into reality more fair and equitable societies.

For this to be genuine and to have effective implications in host countries there is a need for broader reflections and a strategic vision based on vigorous public debate. More structural reflections on the overall socio-economic trajectories, including on agricultural reforms, land based-activities and rural development, as well as their links with the urban sectors and the general economy, seem necessary, questioning the objectives and capacities of the present solely project-based investments to profoundly restructure the economy, the rural sectors and the host societies overall.

There are alternatives that can work. An alternative to the current system must incorporate diversity of alternative production systems, be based on indigenous, community-based, people-empowering models. It should recognize and institutionalize the rights of the local populations, with a central and equal role for women in shaping economic life. In addition, there is a need to strengthen local and inherent economic and social development, needing incentives to local investors and a prioritization of smallholder agriculture. This should be inherent in an overall long term development strategy - and not just based on a short term vision based on isolated projects dependent on foreign funds – that takes into consideration the majority of the people and their needs.

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Annexure 1: Interviews

Table 7: Interviews realized during this research project

	Mozambique	Zambia	Republic of Congo	TOTAL
Farmers/investors	32	8	4	44
Ministries (national, provincial, local)	11		7	18
Experts	8		2	10
NGO, Farmers organizations, …	5		2	7
Local populations (Indiv/Focus Groups)	6		6	12
TOTAL	62	8	21	91

Annexure 2: Large-scale land acquisitions per host and investor country

Note:
The cases in the following tables, resulting from the Land Matrix, cover agriculture, livestock, mining, tourism and industry, at all stages of progress including negotiations/not signed yet, signed and effectively implemented deals and abandoned ones.

Table 8: Total number (reported and reliable) of large scale land acquisition cases in Southern Africa (per host and investor country)

	Angola	Botswana	Madagascar	Mozambique	Malawi	Namibia	Swaziland	Tanzania	South Africa	Zambia	Zimbabwe	Total
Angola	3			1								4
UAE								4		1	1	6
Australia			1	1				4				6
Belgium	1		1					1				3
Brazil	1			2								3
Canada			2	1						1		4
Switzerland				1								1
China				3	1			3	2	4	3	16
Germany			4	1				1		1		7
Djibouti					2							2
Egypt								2		2		4
Finland				1								1
France			6									6
Great Britain	2	2	4	9	2		3	6	1	8		37
Hungary										1		1
India	1		7	5		1		3		2		19
Israel			1									1
Italy	2		4	4								10
Japan			1						1			2
Kenya				1				1				2
South Korea			2					2				4
Lebanon			1									1
Libya				1								1

Madagascar			11									11
Malawi					3							3
Mozambique				14								14
Mauritius			3	3			1					7
Malaysia			1					1				2
Namibia						1						1
Netherlands			2	1	1			7				11
Norway			2	2				1				5
Portugal	4			8								12
Qatar			1									1
Russia						1						1
Saudi Arabia								6		1		7
Singapore				1				1				2
Sweden				7				3				10
Tanzania								13				13
Turkey								1				1
USA	2		3	2			1	6		1		15
South Africa	2		3	16		2	1	2	2	6	2	36
Zambia										2		2
Zimbabwe				3						1	1	5
Unknown			5	46			1	14		9		75
Total	18	2	65	134	9	5	7	82	6	40	7	375

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Table 9: Number of reliable large scale land acquisition cases in Southern Africa (per host and investor country)

	Angola	Botswana	Madagascar	Mozambique	Malawi	Namibia	Swaziland	Tanzania	South Africa	Zambia	Zimbabwe	Total
Angola				1								1
UAE								2				2
Australia			1					4				5
Belgium			1					1				2
Brazil				2								2
Canada			1	1								2
Switzerland				1								1
China				1				1			1	3
Germany			2	1				1		1		5
Egypt								2		1		3
Finland				1								1
France			6									6
Great Britain	1	2	3	8	1			5		3		23
Hungary										1		1
India			2	3								5
Israel			1									1
Italy	1		3	3								7
Kenya								1				1
Libya				1								1
Japan			1						1			2
South Korea			1					1				2
Lebanon			1									1
Madagascar			10									10

Malawi					3							3
Mozambique				12								12
Mauritius			1									1
Malaysia								1				1
Netherlands			1	1	1			2				5
Norway			2	2				1				5
Portugal	3			6								9
Singapore				1								1
Sweden				7				3				10
Tanzania								11				11
Turkey								1				1
USA			2	2				4				8
South Africa	1		2	15			1	2	2	2	2	27
Zambia										2		2
Zimbabwe				3								3
Unknown			3	44			1	11		3		62
Total	6	2	44	116	5	-	2	54	3	13	3	248

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Table 10: Size of total (reported and reliable) large scale land acquisition cases in Southern Africa (per host and investor country)

	Angola	Botswana	Madagascar	Mozambique	Malawi	Namibia	Swaziland	Tanzania	South Africa	Zambia	Zimbabwe	Total
Angola	58 000			-								58 000
UAE								50 000		200 000	-	250 000
Australia			120 000	20 293				-				140 293
Belgium	58 063		-					4 258				62 321
Brazil	-			710 000								710 000
Canada			530 411	60 000						190 000		780 411
Switzerland				2 800								2 800
China				1 500	50 000			107 200	-	2 000 000	201 171	2 359 871
Germany			85 300	1 000				5 000		27 000		118 300
Djibouti					105 000							105 000
Egypt								-		-		-
Finland				200 000								200 000
France			61 300									61 300
Great Britain	25 000	-	692 500	104 427	27 500		50 400	149 122	-	105 248		1 154 197
Hungary										17 500		17 500
India	-		2 890 000	62 200		-		57 000		255 000		3 264 200
Israel			30 000									30 000
Italy	-		220 000	37 384								257 384
Japan			30 000						11 000			41 000
Kenya				3 000				10 000				13 000
South Korea			1 300 000					203 599				1 503 599
Lebanon			100 000									100 000
Libya				5 000								5 000

Madagascar			31 830									31 830
Malawi					27 647							27 647
Mozambique				322 938								322 938
Mauritius			2 000	25 000			10 000					37 000
Malaysia			220 000					-				220 000
Namibia						220						220
Netherlands			30 000	10 000	-			103 455				143 455
Norway			3 500	130 800				100 000				234 300
Portugal	18 000			269 659								287 659
Qatar			450 000									450 000
Russia						10 000						10 000
Saudi Arabia								1 985 000		5 000		1 990 000
Singapore				8 000				-				8 000
Sweden				614 801				96 000				710 801
Tanzania								195 526				195 526
Turkey								3 500				3 500
USA	-		360 000	6 870			-	120 882		115 000		602 752
South Africa	152 432		133 000	304 747		20 000	8 175	15 800	16 124	223 700	100 000	973 978
Zambia										7 745		7 745
Zimbabwe				363 800						-	120 000	483 800
Unknown			543 700	286 599			6 949	1 254 046		1 355 600		3 446 894
Total	311 495	-	7 833 541	3 550 818	210 147	30 220	75 524	4 460 388	27 124	4 501 793	421 171	21 422 221

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Table 11: Size of reliable large scale land acquisition cases in Southern Africa (per host and investor country)

	Angola	Botswana	Madagascar	Mozambique	Malawi	Namibia	Swaziland	Tanzania	South Africa	Zambia	Zimbabwe	Total
Angola				-								-
UAE								50 000				50 000
Australia			120 000					-				120 000
Belgium			-					4 258				4 258
Brazil				710 000								710 000
Canada			411	60 000								60 411
Switzerland				2 800								2 800
China				500				101 000			101 171	202 671
Germany			35 000	1 000				5 000		27 000		68 000
Egypt								-		-		-
Finland				200 000								200 000
France			61 300									61 300
Great Britain	25 000	-	682 500	94 427	2 500			134 418		29 998		968 843
Hungary										17 500		17 500
India			470 000	22 200								492 200
Israel			30 000									30 000
Italy	-		200 000	36 384								236 384
Kenya								10 000				10 000
Libya				5 000								5 000
Japan			30 000						11 000			41 000
South Korea			1 000 000					100 000				1 100 000
Lebanon			100 000									100 000
Madagascar			29 830									29 830
Malawi					27 647							27 647

Mozambique				214 300								214 300
Mauritius			1 000									1 000
Malaysia								-				-
Netherlands			15 000	10 000	-			82 000				107 000
Norway			3 500	130 800				100 000				234 300
Portugal	18 000			249 659								267 659
Singapore				8 000								8 000
Sweden				614 801				96 000				710 801
Tanzania								183 326				183 326
Turkey								3 500				3 500
USA			210 000	6 870				111 882				328 752
South Africa	140 000		100 000	274 747			8 175	15 800	16 124	25 000	100 000	679 846
Zambia										7 745		7 745
Zimbabwe				363 800								363 800
Unknown			91 200	258 599			6 949	75 414		200 200		632 362
Total	183 000	-	3 179 741	3 263 887	30 147	-	15 124	1 072 598	27 124	307 443	201 171	8 280 235

Source: Land Matrix, 2011, with updates for Tanzania and Mozambique.

Annexure 3: Large-scale land acquisition and investment models

Table 12: The different large-scale land acquisition models (detailed according to the different discriminatory variables retained)

	Independent farmer model	**Associative farmer model**	**Cooperative farmer model**	**Speculative 1000-day model**	**Asset management and Investment funds model**	**Nucleus estate model**	**Agribusiness Estate model**
Outcome of the Model	Farming production	Farming production	Farming production Transfer of technology Investor country influence	Farming infrastructure ROI for financer	Farming production ROI for financer	Farming production	Farming, processing
Establishment	All process with stakeholders and government	All process with stakeholders and government	Negotiation at national level and local level	All process but facilitate by contacts at national level	All process, buy up of former project	All process with stakeholders and government	Centralized decision. Possible use of bilateral agreements, buy up of former project
Actors involved	Independent farmer	Group of independent farmers	Union, cooperative, farmers,	Developer and service providers, financer	Asset management company, financer	Agribusiness, local farmers	Agribusiness
Average size	<5,000 ha	Several entities of <5,000 ha	10,000 – 80,000 ha	5,000-10,000 ha	5,000-10,000 ha	> 10,000 ha	> 20,000 ha
Match between the landholder /occupational right, day-to-day	Landholder and farm manager same person	Leaseholder and farm manager same person	Cooperative structure is landholder and farm manager,	Financer and/or developed are landholders; develop is	Asset management fund is land right holder (original	Company landholder and manager on part of the land, other	Landholding and operations management controlled by

manager of operations, implementations of operations			work delivered by individual farmer	manager of operations, implementations is subcontracted	owner can remain when land is leased on ST); manager is employed by asset management company	parts are owned and managed by independent farmers on contract or outgrower basis	agribusiness company
Pooling of resources	No pooling	- Production pooling: Resource shifting between projects (financial, produce, etc.) - Market pooling for commercialization of the production	Enhanced or total pooling (finance, production, commercialization)	One actor pool finance and the other the skills and land	All resources (finance, management expertise, inputs, …) pooled within asset management company, possible outsourcing of certain activities	Production pooling mainly (mainly aiming at direct processing).	Total vertical integration
Contracting	No contracting	- Production agreements - Marketing contract	Several level: Bilateral agreements Farmers with cooperative	Too early or for prospective purposes	Off-set contracts (For some transport and logistic aspects. Value chain service providers)	Contract farming and outgrower schemes	Not applicable as total integration (sometimes for auxiliary activities)
Competition	External	External	Internal & External	External (for land access)	Internal (for finance) and External	Internal	External
Determinant of model							
Investment (structure)	Independent funds	Independent funding, potential financial transfers between projects and partners	Loan - investment structure, backed by cooperative,	External financer	Investment fund, complemented by project funding	Agribusiness	Agribusiness
Mechanisms of Governance	Independent	Independent	Cooperative	Financial corporate	Financial corporate	Processing corporate	Agribusiness
Safeguard for contractual hazard	N/A	Relational	Formal (selecting process, multilateral agreement, duration, specify requirement	Reputational	Integration High level of coordination Financing depending on success of project	Integration and contract farming/outgrower	Integration

Mechanisms for Sharing rent	N/A	N/A	Cooperative – salaries paid out to cooperative participants	Dividend on margin made	Financial shares	Forfetary according to contract (Fixed prices for certain volume and quality)	N/A as integrated
-Degree of vertical integration	Independent - little	Hybrid - little	Hybrid - little	Hybrid - Finances and primary production	Hybrid - Relatively high to high	Hybrid - high	Total vertical integration
Social							
Inclusiveness into core activities	None	Possible inclusion in associative structure	None	None	None	Contract farming and outgrower schemes	None
Benefits	Once off compensation for land use	- Once off compensation for land use - Associative membership - Productive uplifting	- Once off compensation for land use - Social and productive infrastructure -Labor creation	Once off compensation for land use	- Once off compensation for land use - Labor creation	- Once off compensation for land use - Land rent - Productive uplifting and market access - Labor creation	- Labor creation

Annexure 4: The PRO-PARCERIA model

Besides consideration regarding the choice of development and agricultural models, the renewed interest in farmland from transnational investors and different economic agents raises challenges at different levels. In this report, some of these challenges are emphasized, such as food security, respect of local people's rights, protection of local livelihood, prevention of dispossession and inclusiveness of the investment models. Among the latter, the relationship between communities and investors has been mentioned by all the stakeholders interviewed during the fieldwork. This difficulty can come from a misunderstanding of the term of agreement between both parties, an asymmetry of information, the absence of consultation of the local community in the implementation phase of the project or from the lack of implementation of the investor's engagements. This problem of communication, or negotiation in some cases, will inevitably lead to a conflict and to the failure of the project.

The PRO-PARCERIA[14] project, implemented in Mozambique endeavors to integrate these challenges, in particular the integration of communities. Indeed, instead of top down implementation of large-scale land acquisition projects, the PRO-PARCERIA initiative is based on the wish of local communities to attract investors in order to establish inclusive and sustainable projects. Although several government engagements are being initiated in order to better deal with large-scale land investments (Tanzania, Zambia, etc.), the PRO PARCERIA project presents a different approach, initiated from the grassroots level, endeavoring to create conditions for a fair partnership between investors and communities in Mozambique.

It is being established by the National Directorate for the Promotion of Rural Development (DNPR) of the Ministry of State Administration of Mozambique, with the support of the FAO. Although the PRO-PARCERIA (developed and implemented in 2011) project is still being developed and tuned and is not being fully implemented yet, it is presently tested through five pilot projects (out of 12 potential communities identified), in the Manica, Sofala and Zambezia provinces. Delimitation processes have started (which will lead to a certain are to be set aside for the pilot projects); investors are presently being identified.

[14] Which literally means: Pro-Partnership Programme.

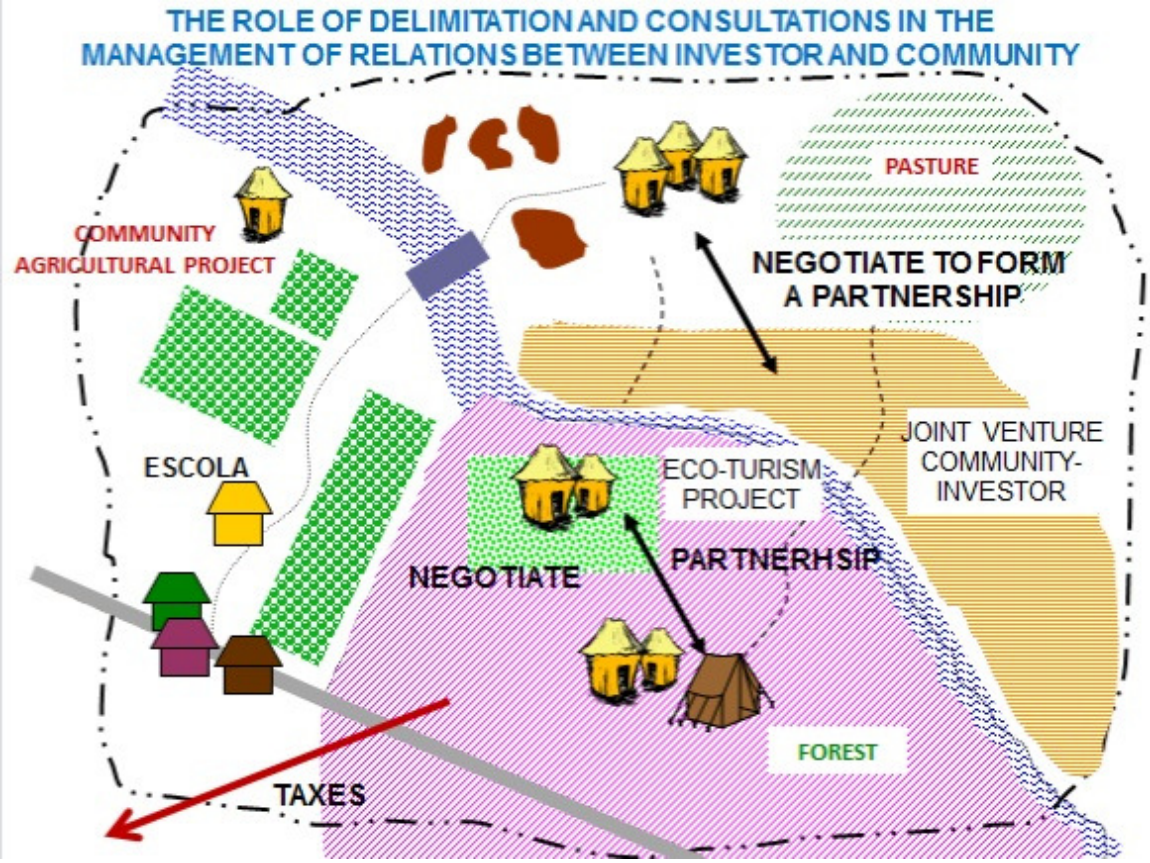

Figure 14: The PRO-PARCERIA model

Source: PRO-PARCERIA project proposal

Concretely, the project aims at implementing institutional arrangements that secure viable and sustainable investments for all the stakeholders involved. These institutional arrangements mainly reside into three aspects: 1) community initiation; 2) establishment of a consortium of diverse actors, 3) guidelines development for investor selection and engagement.

- Community initiation:

It is important to emphasize that, within this project, communities decide whether or not they want to enter in the process. The process is thus initiated at grassroots level.

For the pilot projects, communities had been identified during a previous land delimitation program. Some expressed the wish of working with investors; other had already engaged with investors (mainly for the commercialization of timber); or other already had a bad experience with investors. As such, all being aware of the difficulties residing in such initiatives, they consider the PRO-PARCERIA approach as a safer way of engaging with investors.

During this process, the community will establish a Communal Committee of Natural Resource Use in order to establish a land use plan for the community (aiming at diminished opportunistic behavior and solve potential conflicts regarding the use of their land).

- The establishment of a consortium of actors in support of the fair implementation of the investment project

The main role of this third party will be to empower the communities in their negotiation with potential investors and monitor the relationship between both parties. It is composed by a consortium of diverse actors. First, the government, through the DNPDR with the support of State agencies such as CPI (Center of Investment Promotion), is leading the process and assuring a legal framework to the project. Then, several service providers involved in the land tenure and land policy debate in Mozambique for several years are also involved. ORAM and LUPA, two Mozambican NGOs working on land access for smallholder farmers, are involved in order to work with the selected communities to identify the land available on which the community wants to establish a partnership with investors. AgDevCo, a philanthropic capital fund has the role to analyze the potential of the natural resources of each community (soil, water, and infrastructure) and to assess the business plans proposed by investors.

The involvement of this consortium facilitates a close coordination between the investor and the community. it also provides support to the establishment of the Communal Committee of Natural Resource Use.

- Guideline development for investor selection and engagement

Another objective of the PRO-PARCERIA project is to establish guidelines that can help the government and authorities at the different levels to select investors with sound investment projects and willing to establish fair partnership and inclusive investments with local communities.

These guidelines will be based on the experience and methodology developed by the PRO-PARCERIA project. Even if the project is not fully implemented yet, certain steps have already been tested and should be presented as the first recommendations to the guidelines. Among them:

- an “agricultural potential assessment” to be realized with the members of the communities in order to define the type of partnership these communities want to engage in (contract for production, commercialization, etc). Besides other aspects, this assessment includes the crops cultivated by the community, the number of hectares available on which the community wants to establish the partnership. The outcomes of this assessment will be used for the negotiation with the investors willing to develop a project.
- In a second phase, further analysis concerning the agronomic potential and the availability of resources such as water will be realized. This procedure should facilitate the understanding of the investor regarding the agricultural situation of

that particular region and represents a tool that can reduce the potential sources of conflict.

Collaboration with the CPI at provincial level should aim at enabling the investors regarding the different procedures they have to follow.

The different stakeholders may find advantages in this approach. On one hand, the communities willing to establish partnership with investors receive a DUAT on their land thanks to the delimitation procedure. This DUAT will secure their customary right on the territory and natural resources they use. They will also receive technical and legal support to assess the investment proposal of investors and to help them during the negotiation with investors. On the other hand, the main transaction costs linked to the implementation of large-scale commercial farming in Mozambique are drastically reduced thanks to the involvement of the third party (difficulty of the identification of available land, consultation of the community). The investor is also sure that the land on which he wants to develop the investment is unused. Finally, the involvement of the government gives him some institutional security.